

Restructuring... and a chance to generate jobs

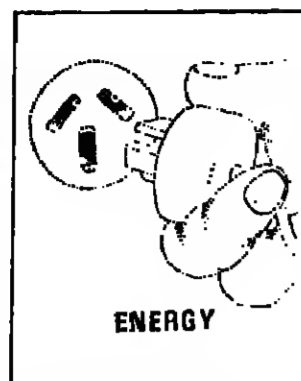
by John Peet

THE energy crisis is accepted as being probably the largest single problem affecting the future prosperity of New Zealand. But actions proposed, for example, in "Goals and Guidelines" ignore the employment consequences of the proposals.

What we have is the early stages of evolution of a national energy policy — albeit faltering and incoherent — that concerns itself with control, allocation, prices and profits, but fails to take into account its impact on the human component of production.

The problem is, surely, that present tax, energy and economic policies are designed mainly to guide the flow and level of economic activity within the present structure of the economy.

Surely policies should be directed towards encouraging the structure to adapt to the difficult reality that is the future? Is this what



ENERGY

"Restructuring" is all about? Because there has been, historically, a strong correlation between the number of persons employed, and the size of the economy as measured by GNP or GDP. It has often been assumed that growth in energy consumption is directly and causally related to the growth of GNP and employment, and that the economy is either stimulated by increased energy supply or hampered by slower growth in energy consumption.

Therefore, policies promoting the historical growth rates of energy supply have been justified as leading to a sound economy and full employment.

In reality, increased energy consumption does not, of itself, inevitably create wealth or employment; it is the way in which energy (together with labour and capital) is used, that can create wealth or employment.

Increased energy consumption is not always correlated with increases in jobs or the economy; in fact, the reverse is often the case. This means that, even if wealth is created, it is not distributed.

But, to the extent that consumers spend less income on (capital-intensive) energy resources, and more income on labour-intensive goods and services, employment will increase.

The employment consequences of different energy supply policies will be substantial, and New Zealand

must plan to take account of these impacts on our work force.

When major energy (or any other) programmes are developed, should we not have employment impact reports?

Lack of reliable energy-employment impact data will impede development of a

comprehensive national manpower policy, and achievement of a full-employment economy. One presumes that the latter is what really matters.

Large, centralised production facilities are energy and capital intensive, but low in labour intensity. With the cost of energy (particularly oil, or oil-derived) rising rapidly, the economics of this type of operation are becoming less favourable, as are their environmental and transport consequences.

At a time of an "energy glut" of gas and electricity, we hear cries to set up industries which can use these (allegedly cheap) resources, to create jobs.

Surely the correct approach is to look first at society's needs (including exports) then at alternative ways of meeting the needs (eg capital-energy and labour-intensive options) and then decide how much of each of the available resources will be devoted to meeting the needs?

If unemployment is substantial, surely this is in itself a basic item of input to such a decision-making process?

Where the energy source is capital-intensive, the cost of delivered energy is largely made up of interest on borrowed money, profits on invested capital and royalties; these produce relatively few jobs.

But whenever any input to production is used inefficiently, economic growth and disposable income are increased, and this is true particularly for energy "production" through conservation.

According to some American authorities, conservation is the best job creator of all, in the energy field, outperforming other measures by a factor of 3:1, considering both direct and indirect employment consequences.

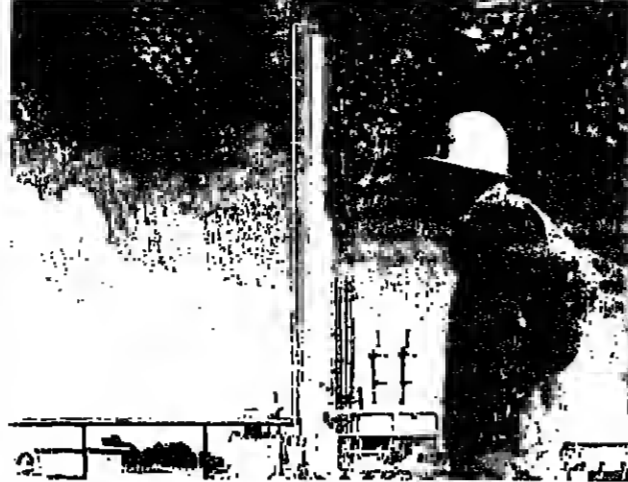
In recommending strong support for policy of conservation, it is vital to make quite clear that there is a major distinction between conservation and curtailment.

Curtailment of energy supplies clearly results in short-term employment cutbacks, as producers are unable to adjust their processes to such unexpected reductions in supply.

Conservation, on the other hand, is the planned, more efficient use of energy resources, and has a job-creating impact, in two ways.

First, to the extent that conservation entails insulating, weatherproofing, maintaining, upgrading or in some other way improving the efficiency of a building or machine, jobs will be created by these activities. (The welfare of the owner or user will also be improved, as a consequence).

Second, and probably more important, is the indirect



ENERGY.....employment impact data needed.

impact resulting from the fact that energy production and distribution are very capital-intensive, and tend to draw funds away from other investment-generating, employment opportunities.

Energy conservation, on the other hand, is generally less capital-intensive, although it is normally a user who has to invest, rather than the supplier.

There are two ways to approach the conservation of energy, in an area such as, for example, domestic space heating.

One is to raise the price of energy, since there is no incentive to conserve if the resource is too cheap.

Increased to an extent there is a strong incentive, however, people of means are severely disadvantaged.

This is a path which, among others, to reduce economic activity and decreased employment.

Another way is to try, and weatherproof, a combination of measures, regulations for construction, and economic incentives for retrofitting, as tied grants or interest-free loans. This is a path to increased employment, particularly in the construction and building materials sectors.

Encouragement of conservation efforts in industry, usually done via imposed rates of depreciation or proved capital business, are often essential, such policies are still "subsidies" in effect.

By making capital energy less expensive, it runs the risk of further encouraging the shift away from labour, unless the policies are carefully constructed to minimise this effect.

Subsidies (and tax breaks) should be tools that are carefully directed at areas where it is desired to change structures, or encourage the need to adapt, in a preferred direction. At present, most subsidies and benefits are aimed at preserving current structures, indefinitely.

Conservation will create many small and medium-sized jobs. In the field of building energy conservation, jobs will be available for consultants, contractors, builders, and the whole range of service industries.

Where improved efficiency of machines or industrial processes arises in the light manufacturing and service industries, conservation is the improved efficiency in the railway system could involve straightening tight curves and upgrading or realigning sections of track — all of which involve local contractors and consequent job opportunities.

Electrification of the North Island trunk line would create vast numbers of jobs in the industrial sector, most of the investment would be local. The overseas companies would be in certain types of control equipment, and locomotives which could possibly be built in New Zealand anyway.

Conversion of vehicles to CNG and LPG and provision of associated distribution facilities would provide many jobs.

The possibility of local manufacture or assembly of conversion kits should also be investigated.

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NATIONAL BUSINESS REVIEW

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Shipping Corp results follow new ship down the slip

by Ree Mazengarb

SHIPPING Corporation board members and their wives were treated to first class air fares to the celebrations, with accommodation and a few treats thrown in, for the launching of the new container ship New Zealand-Caribbean.

The all-up cost of sending representatives from New Zealand, plus guests from Britain, has been estimated to have cost \$200,000.

But last week corporation officials said they could not give a figure.

The Shipping Corporation's annual accounts for the last financial year are due for tabling in the House this week. They show the corporation in an overall loss situation.

The wife of the Prime Minister, Thea Muldoon, dashed the traditional bottle of champagne against the bow of the 16,000-tonne vessel, which was built by the Bremen Vulkan companies at a cost of around \$25 million.

More than 200 official guests representing New Zealand, German and British shipping, financial and export interests, were present.

New Zealand guests flown to the ceremony included H L Julian, a corporation board member appointed in the last few months; J R Macdonald, a director; Ian Mackay, a marine lawyer and director; Sir Tom Skinner, deputy chairman; Sir John Ormond, recently retired as chairman; corporation general manager C H Spaight; G Ritchie, the corporation's engineering superintendent and Michael Morris, the company secretary.

Those board members and executives, most accompanied by their wives, were flown first class to London.

A BAC 111 was chartered to Bremen from Gatwick and a party of business partners from England joined the passengers.

Extra included accommodation at Braman, dinner and the opera in London for the New Zealanders.

A delegate from each of the Seamen's Union, the Cooks and Stewards Union, the NZ Merchant Service Guild, and the Marine and Power Engineers Union also went to the launching.

Ritchie, who had been

The NZ-Caribbean launch was not so grandiose — nor so well publicised — as last year's launching of the NZ Pacific.

The large contingent of guests to that launching included a number of Foreign Affairs' guests, apparently at the request of the Government which saw the occasion as an ideal platform for talks with EEC members.

Union delegates and their wives — travelling economy class — went to the party last year.

This year invitations were "restricted".

Each of the four maritime unions was invited to send one representative, minus wife. They travelled on the cheapest excursion fare.

A union official said this type of exercise was customary world-wide.

Some of his overseas counterparts junketed for launchings almost once a month, he said.

Union representatives are sent because they have the opportunity to examine the ship's facilities and can have rectified on site any defects which might later create problems.

A corporation official confirmed last week that the report to Parliament would show the Shipping Corporation had recorded a trading deficit.

There was an increase in trading profit for the year, but the first repayments for the \$100 million New Zealand Pacific had resulted in a loss.

Deputy general manager R P Shea said he could not give a costing on the launching exercise.

Relative to the function of the ship later on, it would not be "significant", he said.

It was traditional to have a launching with any vessel of some size, and normally accommodation would be paid for guests at the ceremonies, Shea said.

The ceremony was an ideal opportunity to bring trading partners together, he said.

Many of the New Zealand guests to Bremen had other business, such as Meat Board talks in Britain, which coincided with the launching.

It is understood Ian Mackay was attending a marine law conference.

Ritchie, who had been

Inside:

SEVEN companies control most of the world's cigarette manufacturing. Three operate in New Zealand, accounting for virtually all tobacco products sold here. Belinda Gillespie looks at the industry which has lately come under fire from the United Nations — pages 26, 27 and 28.

NEW technology, heralded by industry as a revolution, is seen by the unions as a threat to their existence. The Oram reports — Page 32.

SOARING bullion prices have placed operators of Australia's marginal gold mines in a quandary: shown that the citizen is gaining the financial power to tell his Government "no", and are boosting South Africa's economy — Pages 34-35.

The best tobacco money can buy



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Government warning: smoking can endanger health. Use in moderation.

Labour MPs behind bunny business. P. 3

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Who's for a (fiscally-regulated) income tax cut?

by Colin James

AN interesting little sidelight to the recent manoeuvrings in the National Party has been the appointment of Doug Kidd to the policy committee.

Kidd, a lanky chain-smoking new lawyer MP from Marlborough, is a hardline private enterpriser. He has been one of the more relentless scourges of the Cabinet backsliders and their unconstructed bureaucratic lackeys.

He played an important part in the backbench demolition of the fiscal regulator, which was intended to allow tax reductions without Parliament's approval. He has been active on several backbench caucus committees, including the energy committee.

Kidd replaced Frank Gill as the third member of the parliamentary party's delegation—the other two are the leader and deputy leader—on the six-person policy committee which writes election policy.

Kidd is a welcome addition in the organisation's eyes. He is likely to strengthen its hand in keeping official policy on the straight and narrow.

He is an outspoken man, not easily cowed, convinced that his 323-vote majority will survive in 1981 only if the party's tarnished private enterprise, anti-state credentials can be restored and so recover votes lost to Social Credit.

The fact that Kidd's appointment is a prime ministerial prerogative makes it all the more interesting. Why should the Prime Minister make a rod for his back? Is it an indication that the Prime Minister is abandoning old friends and joining the reformers?

To some extent Kidd's appointment was dictated by tradition and logic.

He has been an active organisation man and is one of the parliamentary party's elected national councillors. It is traditional to appoint a backbencher to the third parliamentary spot on the committee.

Nevertheless, there were safer people the Prime Minister could have chosen.

If he has been prepared to bite the Kidd bullet, it may indicate that the axe will cut deep in the promised Cabinet reshuffle, now probably not more than six months away.

Over the past six months there has seemed to be two Cabinets: a Cabinet of newcomers and relative newcomers who have been making the running on pushing economic management toward a more market-related basis; and an older Cabinet, more used to the cautious interventionism of the 1960s and early 1970s.

Categorisations on these lines are hazardous, since alliances can change from issue to issue and in any case, deep down, even the flotsam of the 1960s believe in the same things as the trailblazers, or say they do.

Nevertheless, one might confidently put into the second Cabinet ministers such as Lance Adams-Schneider, Allan Highet, Bill Young and David Thomson.

And into the first go ministers such as Derek Quigley, Warren Cooper, Jim McLoe and the 1979 version of Hugh Templeton.

As power has shifted in favour of the first Cabinet, close observers have noticed a firming up of old beliefs in other ministers, including Brian Taffoy and Duncan MacIntyre.

Even the Prime Minister seems to have undergone a

sort of slow conversion—from his scornful rejection of economic liberalisation advice from his officials in January through his preference for "fancy footwork" in May, his subliminal acknowledgements of the importance of market forces in the Budget, his aggressive defensiveness about his ideological antecedents around annual conference time—in one speech he talked of woolly thinking on private enterprise—and his growing preparedness to assert the importance of the Budget changes in recent weeks.

It is difficult to escape the conclusion that this amounted to a series of defeats, symbolised by and brought to a peak in the fiscal regulator fiasco.

His failure to read party opinion on that issue until just before the annual conference and his consequent public humiliation encouraged party notables to put it around that he had become irrelevant to economic management policymaking.

The message given to conference delegates was that, provided the ideologically purer backbenchers and their champions in the Cabinet kept up the pressure, it did not matter who was leader.

This was underscored a couple of weeks back by party president George Chapman when he held the Prime Minister "is by far the most able and competent politician in New Zealand today and is the right man to be our Prime Minister... I am confident that he will lead the National Party to further success in 1981".

Some subtle changes seem to have been occurring over the past six weeks or so.

For instance, the Budget message has been sinking in. Manufacturers Federation director Ian Douglas spelt it out in a speech last month.

Douglas said a Treasury official had described the Budget "as the most important that had been brought down by the Government in the past 20 years. If anything that assessment is, I believe, an understatement".

The problem, he went on, was that "its significance lies less in what it says directly than in what it implies".

Backbench MP Ian McLean sums this up when he says that the Budget represents a major shift of direction, but a small step in the new direction.

Gradually MPs and officials are convincing party people and decision-makers that there will be more steps.

Two other factors have begun to change feeling about the Government. One is the appearance of decision-making on energy; the other is the recent show of strength with the unions.

With this change of feeling has come an apparent improvement in the Prime Minister's acceptability to the party faithful.

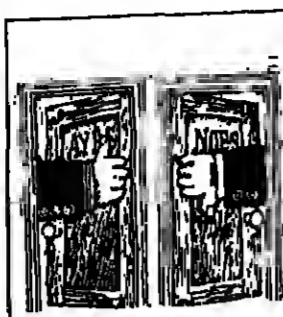
I have been getting reports from people I would not include in the Prime Minister's toady list that within the past few weeks agitation for his removal has waned.

Fewer party members have been saying, "you can't win while he is there".

A meeting in a previously hostile area enthusiastically applauded someone who said the Prime Minister had shown he was still one of the sharpest thinkers in the Government.

I do not know how widespread this mood is. But if it keeps up, it will suggest that the party organisation's strategy is working.

Dislike of a leader's style or personality are heightened when his Government is doing



POLITICS

the wrong things, but can be suppressed when things are going right.

And some more right things are in the pipeline. Examples are three bills involving local authorities. Backbench pressure is likely to kill all of them.

One proposes to allow the Auckland City Council abattoir to auction stock. That transgresses the backbench rule that public authorities should not compete with private enterprise.

Another, proposing to alter Auckland Regional Authority contracts with local authorities to increase certain charges, falls foul of the "sanctity of contracts". A bill changing the method of electing ARA members is objected to on the grounds that people shouldn't come running to Parliament with problems they could sort out themselves.

There is plenty left for the reformers to get excited about.

Some pointers have come from the British Tories who have started demolishing quangos (quasi-non-governmental organisations) which clutter up vast areas of economic and administrative activity; they have announced plans to split up the Post Office and let private enterprise in to compete in the telecommunications field; they have put the squeeze on the hopelessly unprofitable nationalised steel and car firms; they are getting ready to involve private capital in other state projects like oil

exploitation and highways.

In New Zealand backbenchers say that not only have ministers got the message about the new ideology, but bruised bureaucrats have also been adapting. The sort of rough treatment agriculture officials got from the caucus committee earlier this year is now rare.

For their part, some of the backbenchers are now slightly more inclined to acknowledge the "realities" of public life and allow a little flexibility.

This is understandable. Ideological certainty cannot be applied universally.

For instance, where did the private enterprise, anti-state interest lie in the drivers' fight?

It can be argued that had the Government interfered with the drivers' Arbitration Court case, it would have struck a blow for reshaping wage-fixing along contract lines nearer the free wage market, hands-off ideal.

It is even said that this was

the Prime Minister's Department's approval though whether the Minister had a strong ambition of this sort is a tactical battle with the Socialist Unity Party, I don't know.

In the event, the decision to leave the Arbitration Court standing was a defeat for the Prime Minister.

He has got used to this year. But he is planning a draw with the Government for the next year. It is now likely that the Government will sit in December, after Commonwealth elections.

An income tax rate, then would be politically appropriate. On this one, the Minister's point about the Government's tax rate flexibility sought through the tax regulator, on the other hand, would satisfy backbenchers by doing so legitimately.

A necessary asymmetry takes times.

"It's more impressive to fail on a difficult objective than succeed on a modest one."



MPs behind the hop into bunny business

TWO senior Labour Government ministers are the men behind the Chinese bunny connection.

Former Trade and Industry Minister Warren Freer, a long-time China buff, initiated the overseas trade mission.

Newtown represents Commodities Traders Ltd, a subsidiary of Amalgamated Marketing.

The other political connection in sewing up the deal was present Agriculture Minister Duncan MacIntyre.

"I took it up with MacIntyre when I returned from China. He took the view that if they were coming in frozen and prepacked, the didn't open up the local market for feral (local wild) rabbit sales," Freer said.

"Joe followed the matter up independently. When approval was given Joe's company and the other company (Commodity Traders) proceeded to import," he said. He isn't surprised rabbit meat has met a very ready market response despite being

raised, I saw the potential immediately," said Freer.

Auckland businessman Fred Newton was with him in China at the time. Freer introduced him to his long-time friend, Chinese Foreign Trade Minister, Li Chang.

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banned for sale in this country since 1955.

"I anticipated that if enough got onto the market it would be a very good product and help change the attitude of many people to farming rabbits in New Zealand."

"I have no financial interest in this at all, I founded my own exporting company this year," he said.

But Freer said the Chinese are pleased to have been able to get such ready acceptance for rabbit.

"It's an indication of New Zealand's intention to buy from China wherever possible, and China has become a very important customer for New Zealand."

Walding was reluctant to discuss details of the rabbit import deal.

"It's a commercial operation and other people's livelihoods are involved. I don't want to detail commercial information which could assist competitors." Opportunity



WARREN FREER...critical to deal

Traders was "distributing the things".

Rabbit meat imports was "a commercial opportunity seen and grasped by a group".

Walding said some people were already asking "what the hell are we bringing in Chinese rabbit for?"



JOE WALDING...directly connected

"New Zealand can't adopt the attitude of telling the world we have got to have access for our goods — and then say to others they can't send their products here," Walding said.

"We have got to practice what we preach. "If there is a market of any size for rabbit meat, producers in New Zealand can help to fill it."

Commodity Traders' Fred Newton sold the veterinary requirements for the importing are very high, and the rabbits must come from areas free of myxomatosis.

"In each port, Auckland, Wellington and Port Chalmers, health authorities have to be notified and agriculture

inspects each shipment.

"It's pretty rigid control," Newton said shipping the rabbits in refrigerated containers also presented major logistic problems.

Since the Chinese have no developed container trade it meant sending refrigerated containers from Kobe in Japan to Shanghai to be loaded, — shipping them back to Kobe to link with Shipping Corporation vessels coming down to New Zealand.

Distributing the frozen rabbits within New Zealand also presented problems "and the costs involved are high".

"We are trying to keep costs down. Our biggest aim is to keep the price right so even those on lower incomes can afford them."

Warren Freer's presence in China had been critical for the whole deal.

"I would never have had the opportunity to meet Li Chang if it wasn't for him. Li Chang knows Warren well, and that made it a lot easier for me," Newton said.

Public reaction had been very pleasing so far.

"Older people know all about it. Young people have to be educated to it."

"I think the Minister (Duncan MacIntyre) was happy to get a trial shipment on the market before the legislation (on rabbit farming) came to the House."

Ballins Industries lays into the fast food

by Har Mazengarb and Bethula Gillespie

BALLINS Industries Ltd, the Christchurch-based Hagar company, is moving into the volatile fast-food business.

Newly-formed Chicken Spot Services Ltd, in which Ballins holds the majority shareholding, has taken over the Chicken Spot franchise in New Zealand for the chain of outlets which markets a variety of quick-service meals and takeaways based on barbecued chicken.

The balance of the shareholding is held by private interests. Including shareholders associated with Wescon Industries Ltd, Consolidated Food Supplies Ltd and Barrie Investments Pty Ltd of Western Australia.

Previously Chicken Spot was owned 76 per cent by Wescon, the producers of Golden Coast Chicken, and 24 per cent by Barrie Investments, founders of the Chicken Spot chain.

Directors of the new company are Barney Ballins, Ken Oxbourne, and Ralph Wylie, representing Ballins; Ken Barrie; Graeme Walker of Wescon.

The new company has taken over Chicken Spot's existing outlets as going operations and plans further to develop the franchise in these and other areas.

"Undercapitalised and with just nine, poorly located restaurants, Chicken Spot has been something of a lame duck in the fast food industry."

Ballins has some 27 pubs some 15 of them in good locations to sell fast foods. And its financial muscle and management skills could put the new company in a strong position vis-a-vis the likes of Cobb and Co.

For Ballins, diversification into good-quality quick-service and take-away meals is expected to be a valuable contribution to future profitability of the group.

"Chicken Spot was hatched when Big Rooster crowded its

startling life as a Kentucky Fried Chicken look-alike in 1974. Big Rooster didn't get the same share of the chicken action as its big American brother, even at a time when New Zealanders were biting into the newest fast food in a big way.

Big Rooster had been formed by Atlas Hagiastic Industries Ltd and Restaurants Otto Groen, Herman Zwagman, and Ron Evans, of Wellington Townhouse fame.

Store sites and management difficulties were part of the problem. And Big Rooster could not keep up a steady supply of birds, though Atlas owned 20 per cent of Bromley Park chickens at the time.

It had to turn to General Foods — one corner of a neat triangle with Wm. & KFC — to fill in the gaps.

Hinu Food Services Ltd, controlled by Levin-based Wescon, bought the chain in November 1977. It expanded south, opening two stores in Lower Hutt and Paraparaumu, to add to the seven-store Auckland chain.

Chicken Spot tried to find public acceptance with a new image last year.

It inherited barbecued chicken from Big Rooster, and though it launched a big promotion with a method and preparation said to be entirely different to its predecessor's, the public didn't take to it the way it took to Colonel Sanders' fried variety.

Low down in the pecking order in a competitive market, Chicken Spot also could not compete with KFC and McDonalds for the prime centre city and suburban sites crucial to the success of fast-food operations.

Oxbourne, Ballins' financial controller, admitted, Chicken Spot had not had a good run, but said "We have access to sites and funds."

Though some outlets were not well located, they would remain, he said.

The new company has a new general manager and company secretary.

American Express, in conversation with Cardmember Sir Edmund Hillary.



Sir Edmund ("call me Ed") Hillary: Mountaineer, Adventurer, Explorer, Author, Businessman, Nepalese Bridge Builder, Chairman of the Himalayan Trust. Attended Auckland Grammar where, despite the motto (Per Angusta ad Augusta — Through Narrow Paths to the Heights) he remained uninspired. Eventually discovered mountaineering, conquering the biggest of them all in '53. Became the youngest Knight of the century. Other remarkable achievements include driving a convoy of farm tractors to the South Pole.

A.E: I read the other day where someone said that if you are going to dream of impossible things you might as well dream of big impossible things.

H: I agree actually. A challenge you're confident of overcoming is hardly worth starting. Why bother if you are quite confident that you are going to overcome it? The real challenges are ones that extend you to the limit. Where there is always doubt as to whether or not you are going to be successful. Then, when you succeed, if you do succeed, you have a great sense of achievement. It's more impressive to fail on a difficult objective than to succeed on a modest one.

E: Have you always had a clear picture of your goals?

H: No, I don't think I did. People say "When did you first really get your ambition to climb Mt. Everest?" Well, I didn't get my great ambition to climb Mt. Everest until a year or two beforehand. I'd been climbing for many years before I even thought of the prospect of going to Mt. Everest.

E: You didn't tell your mother in 1939 that you were going to climb Mt. Everest?

H: No, no. You know, there was old Sir Smyth who was one of the great mountaineers and wrote lots of books. I wrote in one of his books that when

he was a young child his parents took him across France. His mother was holding him in her arms, suddenly on the horizon, he saw a great white mass of mountain peaks whereupon he duly rose up and pointed in the direction of these peaks said "go gaga goo goo". Which meant (supposedly): "I'm going to become a famous mountaineer". Well, that's really a lot of rubbish. People tend to try to give you ideas and a future far before you ever had these firm convictions.

A.E: At what age did you realise you were going to become famous?

H: It wasn't until I actually climbed Everest that it suddenly dawned on me that I was going to be in the uncomfortable position of being famous. Before Everest, even on the mountain, I had never really even thought about it. We were much more innocent in those days. Nowadays, the modern athlete is aware that if he is very successful there can be economic, substantial economic benefits, from what he does.

A.E: If Ed Hillary had climbed Everest in the '70s, the 33-year-old Sir Edmund Hillary would have been a very marketable item indeed. Are you glad or sad that you escaped that kind of marketeering?

H: Very glad. I have a little bit to do with it anyway, but I have been able to keep it to what I regard as a reasonable minimum. There are advantages of course, as far as the fame business is concerned in raising funds for projects. In things of this nature, it certainly has been very beneficial. But I don't envy the great athlete of today who gets involved in the tremendous commercial rat race.

A.E: Did Neil Armstrong's giant step, I wonder, create as much excitement for people as Ed Hillary's? I remember looking at the moon and thinking, "Hey, there's somebody up there", and the people around me were walking along looking down at the pavement.

H: There's a tremendous difference in the challenges and adventure of today. It's not only the achievement of the individual but the thrill of those back in Houston pushing all the buttons. I think it was probably more fun in our day in that you were the one who had to make the decisions. You weren't just a part of a very highly qualified technology which was thrusting you almost into position.

A.E: Decision-making is obviously a characteristic of a mountaineer...

E.H: I think that most people can learn to become decision-makers. I certainly was never anything like a born leader but I found that over the years there were certain techniques that one could follow which enabled one to handle groups of people who could easily be far more efficient and far more intelligent perhaps than oneself. The thing I always found was doing your homework. Before you went to bed each night, you just went through in your mind what was going to happen next day and briefly thought out what problems you might meet and what you would do if those problems did occur. Now, that meant that if something did happen you had thought the matter over and you were in a position to give a competent decision immediately.

A.E: How long have you bed the Card?

E.H: For five or six years, and find it most useful for identification. For example, in American hotels where they often ask you for identification before you even check in, I've found the American Express Card is particularly valuable. It does have a definite status; there's no question of that.

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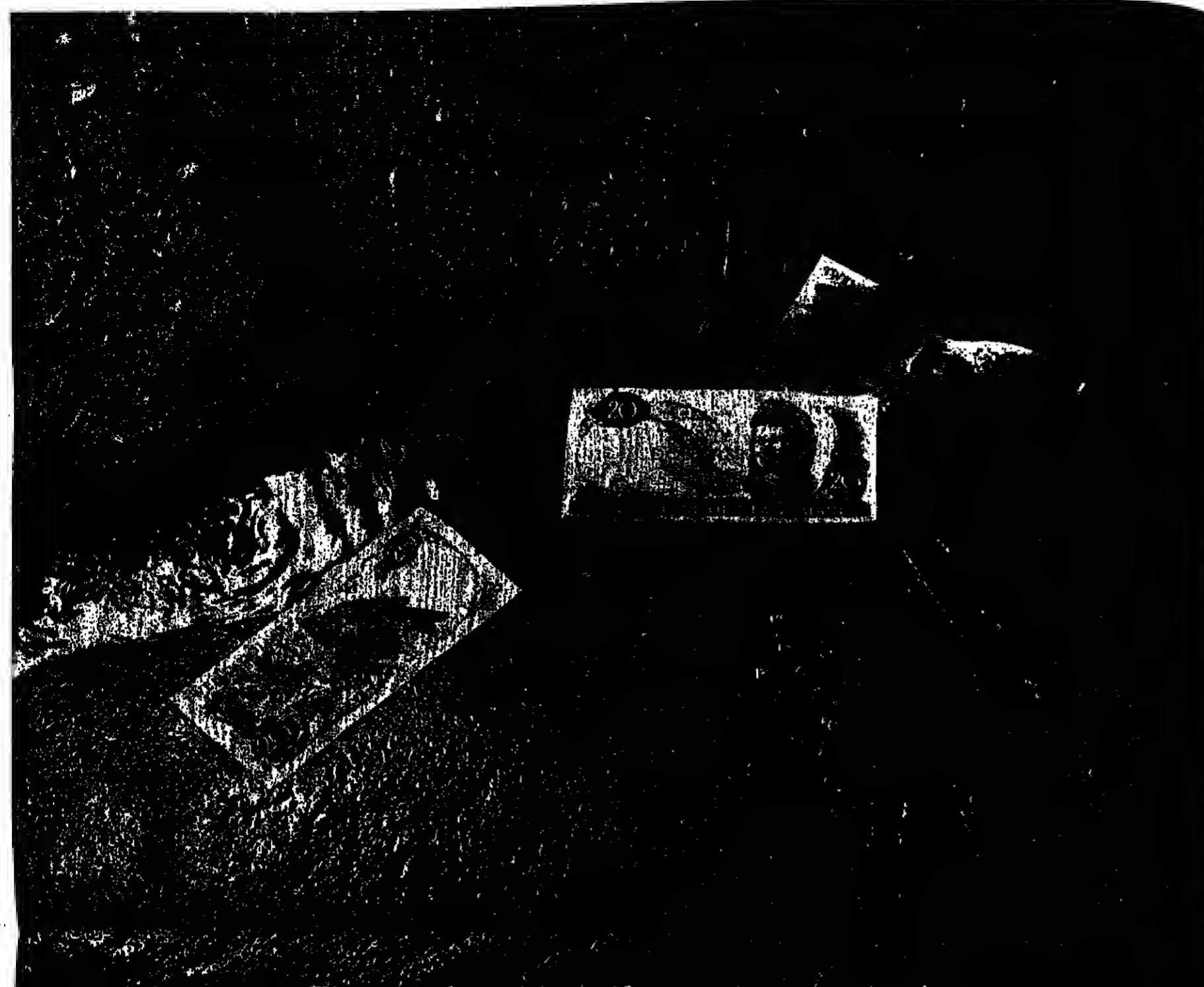
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Transvision: anxious not to appear racy

WHEN Transvision made its \$18 million takeover offer for General Finance, the sharemarket reaction regarded the bid from cheeky to audacious.

It certainly was a David and Goliath encounter - six-year-old Transvision, with a share capital of only \$2 million, bidding nearly \$20 million for 60-year-old General Finance, with assets at last balance date of \$136.6 million.

Despite the scepticism among sharemarket pundits, Transvision sees the bid as neither bold nor cheeky, but a carefully thought out planned expansion of its business.

Transvision managing-director Allan Hawkins last week outlined some of the reasons behind the bid and backgrounded his company's growth, management style, and aspirations.

For a start, Hawkins said, some commentators saw his company as something of an upstart.

He explained: "Because we were small and getting involved with a bigger company, we felt we had to go in with a really credible bid."

"We had our own money and showed it by getting our bid on the table. We felt it inappropriate to come in at a lower bid and look like we were bargain hunters."

By money on the table, Hawkins was referring to the \$20 million or so in overseas backing coming in.

General Finance directors have already rejected the bid as too low.

The obvious next move by Transvision might be to up the ante. But Hawkins would not be drawn on that subject beyond saying his company had done its homework carefully on the first offer price and had no intention at that time of getting into an "auction situation".

Transvision made a cash offer of \$1.75 a share for General Finance's 10,904,961 ordinary \$1 shares.

At that time the shares were going for \$1.35 each.

General Finance directors, who also represent major shareholders in that company, advised against the bid. They gave three reasons:-

• The bid was too low. The directors acknowledged that the asset backing of General Finance shares was only \$1.55 per share at last balance date. But they said these accounts did not show the real picture (an unusually frank admission). Instead they said the asset backing in their coming October 31 accounts would be in excess of \$2 a share. This made Transvision look like bargain-hunters who might have known more about General Finance's real worth than did General Finance's own shareholders, who relied on their company's own accounts.

• The method of payment was the second reason given for rejecting the offer. The directors pointed out that Transvision had said payment would be made within one month of its offer being declared unconditional by Transvision and subject to registration by General Finance of all transfers. Registration could take months and delay payments.

• The third reason given was that General Finance would be inhibited by the restrictions put on its operations by Transvision between the date of the bid and the day the offer became unconditional.

Meanwhile share prices for both companies rocketed - General Finance's from \$1.35 to \$1.77 last Wednesday and Transvision's from \$1.95 to \$2.35.

If there was one single impression Hawkins seemed

determined to leave on NBR, it was that his company was not led by brash young hotshots. "We hope you wouldn't see us as too racy," he said.

"In some respects we are a company that only has a short record and one of the things we are extremely conscious of is that we've got to develop a track record."

NBR: "What do you look for in an executive when you hire?"

Hawkins: "We'd be looking for a reasonably basic sort of character - the old common sense thing. We're not looking for the racy young executive. Every guy in this organisation is meant to be able to do the practical thing. This is evidenced by our organisation. We have a direct line from this office to our branches. We haven't got a lot of hierarchical layers."

NBR: "So you're not looking for lateral thinkers or innovative people with an eye for new fields of endeavour for the company?"

Hawkins: "As a company we would stick with what we know. This is something we've thought a lot about over the last year. We looked at a couple of possibilities. And we're quite sure we can get our growth and profit out of the things we know how to do."

"It's easy to get diverted when you get carried away on an idea of a concept. We keep dragging ourselves back to our mainline operations."

Racy or not, Transvision has a remarkable growth record. As Hawkins pointed out, it doubled its total assets last year and increased pre tax profitability by 180 per cent.

In terms of present profitability and growth Transvision's mainstay has been TV rentals.

Transvision is now number two in TV rentals after General Finance's Group Rentals. And Hawkins said Transvision's market share was increasing.

But Transvision has another string to its bow - finance. It has finance based subsidiaries and on the management side both Hawkins and executive chairman John Baydon came to Transvision from executive positions with Mars.

To date the finance side of Transvision's operations has been eclipsed by the TV rental side - but that is part of the story behind the General Finance takeover bid.

Asked if the market for colour television sets was not headed for the doldrums, with the market reaching saturation point and a likely two-year hiatus before consumers started replacing present sets with new ones, Hawkins said:

"I think that's fair comment. But two things happen. The market will reach saturation point which we think will happen probably after next winter's placements."

"But a funny thing is happening this year. TV rentals are taking a bigger share of the overall TV market than last year. Before rentals were running at 21 to 22 per cent of the total market. Now rental business is going at 32 to 33 per cent of that market."

"The reasons behind this are twofold: with the money people have in their pay packets it's a hell of a lot

easier to rent than to make a big purchase decision. And there is also the cost escalation for TVs."

"When the market begins to flatten out Transvision still has a lot of black and white sets out there on rental that are changeover prospects."

But if the TV market was flattening out, how long could Transvision continue to grow as it has in the past in TV rentals? When TV business flattens out, what would the company put its energies into?

"Our expertise lies in finance and TV rental. We have a very small finance company as part of the group. We will give that a bit of a push," said Hawkins.

"Just this week in this building we opened a shop which is the first combined TV rental and money shop."

"The takeover of General Finance would leave us with a big TV rental company which would lead to big savings in overheads. And an opportunity to get ourselves into the financial side in a big way at a level that we couldn't achieve by natural growth in the next 10 years."

"That is assuming Transvision takes over General Finance. If it didn't happen, what would the company turn to when the TV rental market flattened out?"

"As the rental portfolio levels out the profitability increases. You invest less in new TVs and depreciate the TVs you have out. Your business turns into a positive cash flow business," Hawkins said.

"Up to now every dollar we could get our hands on we

spent buying new TVs. When we get to the stage where rental income is enough to buy all the TVs we need plus a bit left over we need an outlet for those funds. That's why the TV rental business and finance business go hand in hand."

Transvision had substantial backing for the General Finance bid. Was that backing for the specific purpose of taking over General Finance or the more general purpose of expanding Transvision's finance arm? If the General Finance bid came to naught, were those backers interested in other options?

"Yes they could be. We haven't thought of alternative possibilities yet. But evidence of the interest that our partners have in our company is the fact that they facilitated the provision of something like \$20 million," said Hawkins.

"We went to them with the specific purpose of taking over General Finance. They could be interested in alternatives. But it's not our intention to change the existing structure of the Transvision group right at the moment."

How would General Finance's operation be changed if Transvision took it over?

"We have already said we would direct it along more clearly defined lines," Hawkins said.

"You've got Broadbonds with their money centres. Mirac is clearly defined in consumer and commercial lending. UDC is more of a wholesale type financial operation. General Finance doesn't seem to me to fit into any of these descriptions."

Construction firms reel under downturn

AUCKLAND'S construction industry has had a rough week.

One major company went into provisional liquidation, laying off 106 men, another went into receivership.

The Auckland Master Builders Association is planning a seminar for next month to advise the industry on survival methods - and where survival is not possible, how to go out of business gracefully.

The Davison Group, which last week went into provisional liquidation, was involved in total design and built commercial building. Projects started or on the drawing board at the time of the liquidation included a major hotel complex near Auckland airport, a building for Sonata Laboratories at Avondale and a supermarket at Penmore.

Managing Director John Davison said he hoped to complete these projects and eventually bring his company out of liquidation.

Debt owed by the Davison Group total about \$2 million, he said. Assets include about \$5 million worth of land.

Davison laid off 106 staff. Twelve executives remain at the Penrose office to work with the liquidator.

Davison said his company's problems began back in the building boom when the firm bought large land holdings for its future projects. But the level of building throughout the country crashed and commercial property values plummeted.

"Our turnover didn't make enough to service the interest

and rates on these properties", Davison said.

Another problem acknowledged by Davison was an uncomely loyalty to his staff. He was reluctant to lay off staff and as Davison said, "the staff were unemployed".

Those staff laid off by Davison got the company into hot water with the Master Builders Association who expelled Davison for paying above "approved" redundancy payments.

Davison said he believed most of the company's creditors would be paid within three to four months.

Milne Construction was placed in receivership by its major debenture holder the ANZ Bank. The receivers are assessing the situation. So far this company's 80 employees retain their jobs.

Master Builders Association Auckland president Tony Daley said commercial building work load levels were critical. "Judging from information received from members, work loads are down 50 per cent from last year", he said.

"Many firms usually carrying about 140 men were now down to 50 or so. Apprentice intakes were also at a low level, and jeopardising the future of the industry," he said.

"Government traditionally spent something like \$40 million a year on commercial building or about one third of the work in place," he said.

"This spending is now negligible as is spending by the private sector."



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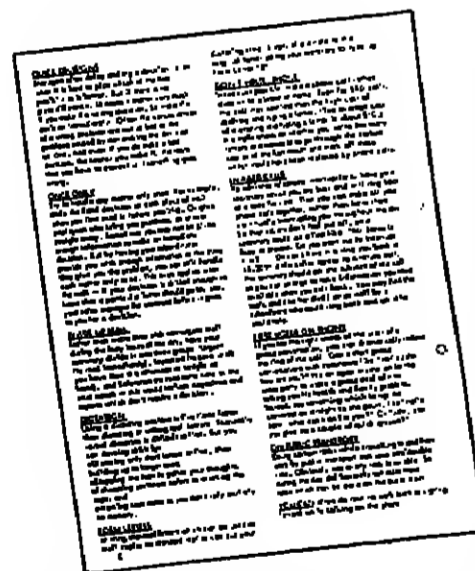
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FOL: points for publicity, but a rift is showing

by Mary Varnham

FOL president Jim Knox finally got to present his case for a minimum living wage to the Arbitration Court last week. Trouble was, it was the wrong hearing.

The FOL had lodged an application with the court for a minimum living wage in July.

Three weeks later, the Prime Minister purloined 13 minutes of national television and radio time to announce that the General Wage Orders Act, barely two years old, was being axed. This axing meant that the FOL no longer had the power to apply for a general wage order, let alone a minimum living wage.

That was the end of the application — but not the end of the idea.

The minimum living wage was close to Knox's heart, and considerable time and effort had gone into preparing the case.

FOL researchers had compiled a massive amount of information and statistics, analysed it, tabulated it, to determine the minimum income a family of four needed to survive decently.

It had been established, for example, that the average family ate 10 kg of potatoes (\$2.70) and 2 kg of carrots (88 cents) a week, that housing, whether rent or mortgage payments, cost them \$39.14 and clothing \$7.31.

The appendix to the FOL's submission is full of that type of data, and it is not surprising that the federation seized the opportunity of the drivers' case to give it an airing before it got hopelessly out of data.

But the submission, in support of the Drivers Federation claims for a 13 per cent wage increase, higher service allowances and a shorter award term, placed the court in a dilemma.

The court's agreeing to take the evidence into account could be construed as a tacit endorsement of the minimum living wage principle — something the court was prevented from ruling on.

But the court held the FOL submissions to be irrelevant, the cry would go up that the court was a tool of the Government and the employers, a view widely held among sections of the trade union movement. It is this image that has discouraged greater use of the court by unions in the past.

Knox conceded that "the future of this arbitration system depends to a large extent upon the outcome of this case". There is some truth in this.

Certainly the onus is on the court to show that it can win the confidence of employers and unions, even if this means incurring the wrath of the Government.

In the case of the drivers, this would mean bringing down a wage rise closer to the 11 per cent the parties had agreed to in conciliation than the 8.5 per cent the Prime Minister had arbitrarily decided was the maximum the Government would allow.

At the hearing, both sides could almost have convinced you that there really were strong and irreconcilable differences between them on

the three points at issue. Instead as everyone knew, they had, in the interests of getting the dispute to court, agreed to disagree.

But employer-union accord began to fray during the adjournment taken by the Bench to decide the extension of time question.

Barely had the Bench left the room before a heated argument broke out between Knox and Drivers Federation president Ken Douglas on the one hand and employers' advocate Dava Patten on the other.

The issue — whether the employers had been informed in advance of the FOL's intention to introduce the minimum living wage argument.

At a meeting the previous Friday, the parties had laid out what the general outline of their respective cases would be.

Patten insisted — and still insists — that while the drivers did say they would deal with the case of the lower-paid drivers, the minimum living wage was never mentioned.

The press was excluded from this meeting.

The Bench decided to accept the FOL's submission, saying it would be "foolish" not to hear all the evidence it could. The employers were given two days to prepare a rebuttal.

The irony of the two adversary groups wading indignant over the idea that one had betrayed an alliance between them cannot have escaped anybody. Certainly not members of the press, who were visibly delighted at this unexpected departure from the script.

The drivers' dispute has been around for so long — over four months — that it's become almost a way of life for both advocates and industrial reporters.

In this respect, the spirited altercation, and even Knox's lengthy submission, relevant or not, were welcome diversions.

So too were the three witnesses called by the drivers. Each was young, married and had several children. Each gave details of what he earned and what his weekly expenses were.

In each case, expenses were about the same, or greater than, income.

Patten's admonitions to one — that he could save his \$10 weekly patrol bill by walking to work, or riding a bicycle — was to backfire on him.

Another witness explained that part of his weekly hire purchase payments went towards a bicycle he rode to work.

While the FOL had got its case for the minimum living wage comprehensively geared and ready to go, the Employers Federation seemed to have been caught flat-footed.

The most it could do when the court met again, on official said privately, was "to make broad points on broad issues".

They may have to do more than that in the future. It has become clear that, far from giving up, the FOL is more determined than ever to push home the minimum wage argument.

Knox described it in court as "the cornerstone" of the

federation's income policy, and a big effort is going into persuading unions to use it as evidence in their own award negotiations, particularly unions whose workers fall largely into the lower-paid category.

Upcoming awards where it is sure to be used include this month's Auckland Retail Non-foods and the Tobacco Workers, both traditionally low paid occupations.

It is also sure to form the basis for the ongoing bipartite discussions on incomes policy between the FOL executive and Government representatives led by Labour Minister Bolger. Word is that both sides are keen to chalk up a number of talks before Prime Minister Muldoon returns from overseas.

Whether there was any point in the FOL introducing the minimum living wage argument into the drivers' case at this late stage is open to debate.

In terms of the decision



KEN DOUGLAS... departure from the script.

both parties were committed to close examination and restructuring of the award in the light of what Douglas called "dramatic changes in the organisation of the road transport industry in this country".

For this reason, the federation said, any decision reached by the court would cover only the restructuring period and not be a long-term guide to drivers' wages.

But as a publicity exercise, the FOL may have scored a few points with its submission.

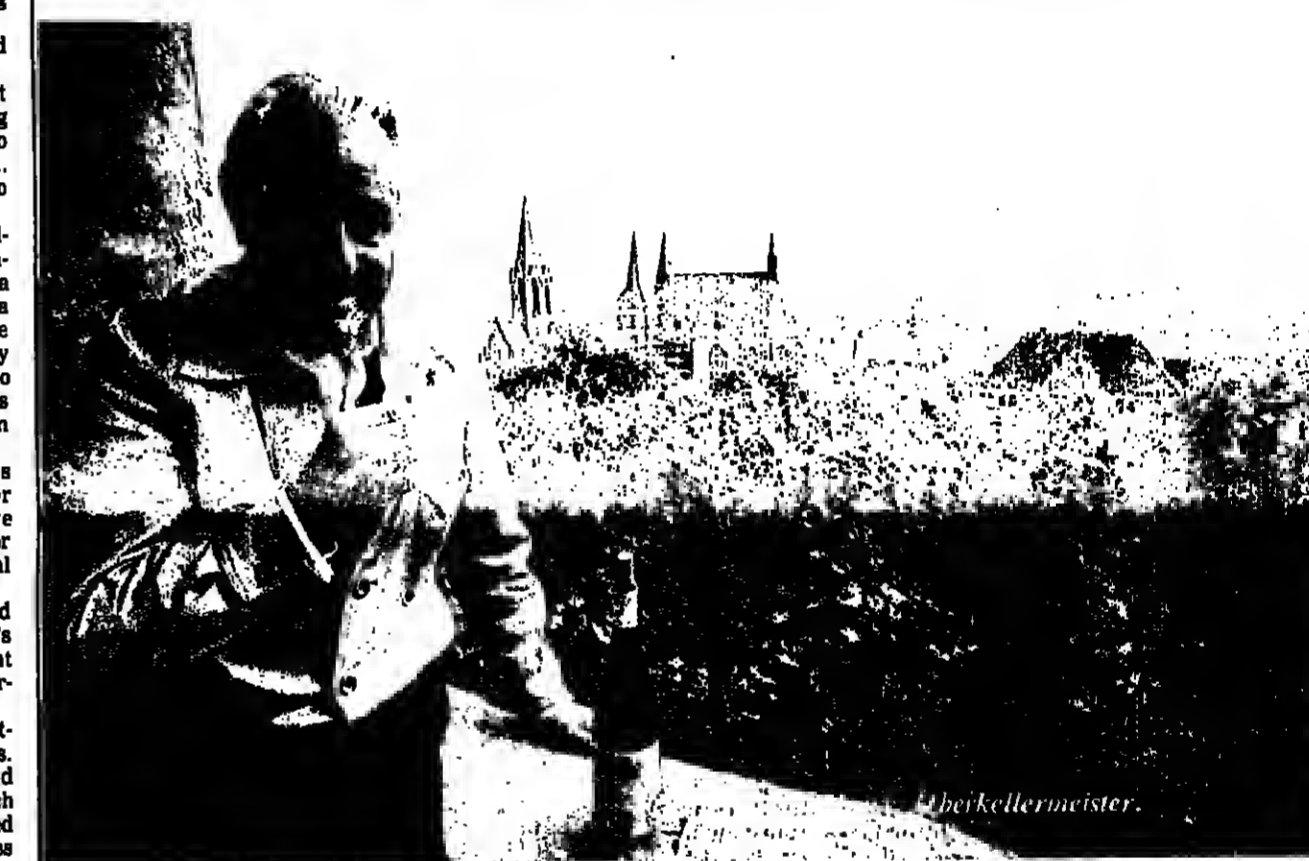
Certainly it showed the unions that it was prepared to put its mouth where its heart was. It also got the minimum living wage banner briefly back on the front pages.

But there are some in the movement who believe the FOL should concentrate its efforts on patching up the rifts that have begun to show through its ranks in the last few months, rather than engaging in full-frontal publicity exercises.

As NBR went to press, the Arbitration Court released its decision on the drivers' wage dispute. At 10.5 per cent, the court set the increase in the basic wage rate close to those of other recently settled awards.

But the sharp rise to service allowances — now \$2.40 after one year, \$4.80 after two and \$7.20 after five — makes the overall increase close to the 11 per cent originally agreed to by the parties in conciliation. The court's rulings contrast with the lower service allowances previously agreed to by both sides. These were \$1.02 after one year, \$3.84 after two, \$5.78 after three and \$7.88 after seven.

The court has, in effect, succeeded in a delicate balancing trick which should make almost everyone happy. But the reinstated 12-month term means that any hope the Drivers Federation had of being let off the trend-setting hook have been dashed for another year.



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Midas touch meets Govt

by John Draper

TRADE and Industry's reluctance to grant import licences for product samples is holding up an international deal and potential New Zealand export.

At stake is the first commercial application of the SINTESD agreement with Singapore, for technological and industrial cooperation.

Wallington-based Tatra Industries wants to use a unique process developed by Seteco, the commercial arm of the Singapore Institute of Standards and Industrial Research, to gold-plate native flowers.

Seteco is willing to give

Tatra a production licence for the technological application in return for a shareholding in the company.

To launch the products on the local market, Tatra wants to import up to 2000 gold-plated orchids from Seteco, before going into production itself.

But to bring in the orchids, Tatra needs an import licence. And it has run headlong into Trade and Industry policy.

Trade and Industry, in the past, has refused all licence applications to import goods for market testing.

In line with the policy, officials threw out Tatra's original application.

Pressure from SINTESD administrators, who are also

within Trade and Industry, had the matter reopened. A way was found for the jewellery to enter.

But the delay could set back the project by up to nine months.

Both Seteco and Tatra wanted the market testing to begin in July, with production beginning before Christmas.

Nuv the orchids might not be test marketed before March.

Tatra's success is not likely to lead to any fundamental change in the department's policy towards samples.

The department's decision was further complicated by an earlier refusal to grant a licence to an importer who was

not intending to go into

manufacturing.

Tatra's group manager Robert Phillips, the project would have been got off the ground if it had been the SINTESD agreement.

"We hoped with SINTESD we would proceed very quickly," Phillips said. "It was over optimistic."

In line with group policy, Tatra aims to export up to 10 per cent of the jewellery to native flowers and local islands.

But the company is not all the hurdles yet. It is Singapore's golden orchids on sale in New Zealand, on to Seteco to ensure they are

not to Seteco to ensure they are

not to Seteco to ensure they are

Shaping future before it becomes the present

by Belinda Gillespie

ANOTHER read-out from the crystal ball department, "Societies in Change - A Question of Scale", is the second in a series of three booklets being produced this year by the Commission for the Future.

Sandwiched between "Resources and Technology" (which appeared in August), and "International Relations, Economics and Trade" (still to come), "Societies in Change" has been synthesised by Nick Zepke from contributions by various authors.

The total cost of the three won't be known till the set has been published, but it's a big slice of the commission's 1979 budget of \$300,000, according to executive-director Dick Ryan.

Retalling at \$3.25, the price subsidised by the com-

mission is a compromise between giving the booklet away, and making it higher than the admittedly small market will stand.

With 8000 printed, the previous booklet has sold all but 2000 copies, and is expected to "go again" when the trilogy is complete, Ryan says.

The outlets are Government and larger retail bookshops, as well as direct orders from the commission itself.

"Societies in Change" will be doing well if it matches the sales of its predecessor, which appeared at a time of peak interest in New Zealand's energy future.

The commission is not bugged by academics' complaints that the booklets aren't high-powered enough.

"We can't hit everyone," Ryan says.

By aiming at a reading age

of 18½ (compared with the average newspaper geared to a reading age of 12 according to some authorities), the commission has attempted another compromise.

There's enough new, meaty material to give some satisfaction to the more literate population, and yet it's not beyond the capabilities of the masses.

Just who is the commission getting to?

A cross-section, according to Ryan. More precise information about the readership is yet to come, but there has been some interest in the "Resources" booklet at university level, some from Rotary and Jaycee groups, and some from community colleges - a broad spread from learned to the relatively uneducated sectors of the population.

For the other 96 per cent or so of the population who won't get to see the commission's major publications, more simplified material will be

produced. "Though the means can't be made simple, the ends can," Ryan says.

"For example, the alternatives of a small or a large-scale society are something everyone can understand."

Out of about a thousand future groups around the world, New Zealand's commission is thought to be the only one directly disseminating information to the public. It is counting on the media to help spread the message, and has taken pains to bring the first two booklets to their attention.

"Societies in Change" looks at New Zealand's future social options, given the country's characteristics of low population density, generous resources, geographic isolation and diverse cultures.

Between a monolithic superstate and a society made up of semi-independent communities, which have turned their backs on the world, the commission wants

us to consider the alternatives. A post-industrial society, where labour moves increasingly out of producing goods and into service areas; where institutions in both the private and public sectors grow very large and are managed exclusively by experts; and where people are prepared to delegate decision-making to the experts in exchange for a high material standard of living, has been postulated by several "futurists".

But the commission assumes that the post-industrial society is not inevitable for New Zealand. We have the choice, it argues, between centralisation and largeness, and decentralisation into smaller-scale institutions.

This implies also a choice of control, between centralised decision-makers in a conformist society and "open, intimate and human" structures in a diverse society.

The book attempts to start discussion on how "to fashion a

New Zealand which retains the best of the superstate while replacing all that which we believe to be bad."

Zepke has brought together a range of diverse statistics to illustrate the possible trend to a post-industrial society; the growth of the "informal economy"; the alienation of New Zealanders; and questions of equality and meeting human needs.

The commission describes its role thus: "to assemble and disseminate information about New Zealand's future in such a way that New Zealanders will be drawn into the process of exercising choices about how the nation should develop as a society."

But while all the consciousness-raising is going on, the future is inexorably being shaped by decisions that are being made now, particularly in resources and energy.

By the time the public is awake to the options and motivated to make changes, the future might have already come.

Motor traders reorganise

MOTOR vehicle dealers are being promised a better deal from their national body after organisational changes take place.

Stoves announced at the annual conferences of the Motor Trade Association and the Motor Vehicle Dealers Institute would put both organisations on a better footing, according to their joint executive director, Colin Stone.

Stone has been executive director of the MTA since 1981 and is the top executive in the Motor Vehicle Dealers Institute.

He is stepping aside from his MTA responsibilities to allow the current executive officer, Trevor Bates, to move up.

Stone will carry on as executive director of the MVDI, assisted by executive officer Harley Russell, and Bates will shoulder the larger burden of the MTA.

The two organisations, although autonomous, have substantial interests in common and this will be strengthened under the re-organisation approved by the joint conference.

A joint board of management will be set up

over the two organisations' national council comprising the president, senior vice president, past president, past president and executive director of each group.

This body will be responsible for co-ordination, joint planning and administration and any future joint ventures by the MVDI and MTA.

Stone says the passing of the Motor Vehicle Dealers Act has brought a great deal of extra work, and it has been difficult to keep the industry together.

"I'm bound to say that car dealers have not got all they could expect from an executive director."

Originally he proposed to retire in 1981, but the MVDI countered with an offer to stay on if he could be relieved of his other duties - hence the reshuffle of responsibilities.

Stone now expects to see the MVDI develop more as a trade group.

"From concentrating on statutory requirements of the fidelity fund and discipline of members, I want to see it built into a worthwhile trade organisation handling questions of profit, margins, industry surveys and statistics and broader policy areas," he said.

DFC goes to Singapore

by Warren Berning

FOR the first time ever, Singapore will be represented this week at Singapore, manufacturers world fair.

The invitation went to DFC's Applied Technology Programme which is together nine high technology companies to exhibit at the Zeeland stand.

Programme manager McShane said the exhibition is the trip, the DFC would probably conclude a technological exchange agreement with Seteco, Singapore Institute of Standards and Industrial Research's commercial arm.

Seteco, McShane said, was particularly interested in New Zealand's technology industry as a source of licence arrangements for joint ventures.

New Zealand technology having grown up in a small-scale labour intensive environment, was more relevant to the Singaporean technology developed by major industrial groups.

Their large scale, long term high degree of specialisation, McShane said.

The technology exchange agreement would result in a split commission deal between the DFC programme and Seteco on and off arrangements for joint ventures or agents.

McShane said the factor stopping a company from going to Singapore was lack of confidence.

But, he added, this case provided an opportunity for the small company to get finance and or advice.

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NBR BUSINESS WEEK

Predictions adopt 'SNA' as statistical base

by Peter V O'Brien

THE September Quarterly Predictions from the Institute of Economic Research use the new New Zealand System of National Accounts as the statistical base for its forecasts.

People who use the Predictions as a working document for assessing changes in their particular economic sectors may find the new terms strange, and even confusing.

They can note the Institute's consoling remark: "as in the past it will usually be ap-

propriate to concentrate most on forecast rates of change rather than absolute values, and hopefully this will minimise any difficulties".

The new system is contrasted with the "national income and expenditure" flows. Under SNA (as the economists, with their love of initialled jargon, refer to the new system), the emphasis is on "sectors" (the source of product which generates income), while the previous system emphasised "institutions" i.e. receivers of income.

Anyone who wants to look at the differences between the two systems can read the new New Zealand System of National Accounts, by Institute staffer, T R O'Malley (also editor of Quarterly Predictions) in pages 32-40 of the latest publication.

They will find an interesting flow chart relationship between the two systems.

The "main flows in SNA" are much simplified (page 33 Quarterly Predictions).

While those technical matters have little to do with

the general thrust of the latest Predictions, they are relevant to users of the Institute's publications. After allowance for the new system, there are a great deal to be achieved in terms of understanding the timing of economic movements, and appreciating the lag structures which operate. Improved indicators of entrepreneurial profits and private investment expenditure would almost certainly have induced us to estimate more significant economic decline sooner than we did.

In the latest edition, the Institute — briefly — compares its projections with actual output over a 31 month period.

Commenting on the results, the Institute says: "From our own point of view, this seems to indicate that our un-

derstanding of economic relationships, while there is always room for improvement, is reasonably good, but that there is yet a great deal to be achieved in terms of understanding the timing of economic movements, and appreciating the lag structures which operate. Improved indicators of entrepreneurial profits and private investment expenditure would almost certainly have induced us to estimate more significant economic decline sooner than we did."

The accuracy of the Institute's forecasts and the outcomes vary depending on the indicator assessed.

In general terms, it seems that the less the indicator is "politically" effected the closer the Predictions came to reality at the end of the day.

Some time ago the Institute chided me for suggesting that it failed to take account of political developments. It said, rightly, that it could not be expected to take pragmatic policy changes into account when making projections.

The Institute gives a clue to its problems in one sentence out of two pages analysing the accuracy of its predictions.

"Ultimately, it is for readers themselves to decide, in the light of the particular purposes our forecasts are expected to serve."

There is reference to two "policy" changes which effected forecasts.

The Institute is involved in economic analysis, and therefore can not be criticised for failing to take account of potential policy changes, because the latter affect the former only when they are made. Analysis can deal only with matters as they are.

But that "dealing" is a powerful force for policy change, as potential problems are emphasised, as the forecaster can effectively

destroy his own projections, policy makers note the view and take action.

Before the Institute vice another letter, the organisation is doing better than shown by its latest assessments, for the reasons just given.

Today the Institute, again the absence of possible policy change, says that the Q1 movement in the March 1979 year should be between 1% and 1.5% per cent. The "deriving" rate at the end of the year is expected to be less than that.

Import prices are expected to rise, there should be "upward" tendencies in the rate of increase in domestic prices and in payments for imports.

"Despite expected increase in the inflation rate and the balance of payments deficit, conditions of widespread demand for these products should not be regarded as encouraging. The slackness of demand is evidenced by the large increase in stocks with a forecast for 1979-80. Business confidence is also low, and investment is forecast to be not sufficient to sustain rapid growth."

QUARTERLY PREDICTIONS



Analysing annual accounts

by Peter V O'Brien

THE 1979 annual report of Challenge Corporation Ltd has a lesson for critics of companies which fail to disclose important financial information.

This writer, and others, commented last year on the lack of information regarding the taxation provision, particularly the various investment allowances and tax incentives relating to exports and other aspects of Challenge's business.

Information on taxation, including a breakdown of allowances and incentives, occupies a full page of notes to the accounts this year.

The detailed figures on adjustments and allowances have to be read closely in order to understand the company's tax liability on last year's profit, the tax provision in the balance sheet, and the deferred tax position. That is unfortunate, but there is no other way of giving full disclosure.

Challenge omitted comparative figures for 1978 in the tax notes, but that is understandable. The exercise this year took considerable time, and provides the relevant information. Re-calculating last year's plus and minus would add to the time and trouble without giving much more than an historical comparison.

The deductions left the group with a "pre-tax accounting profit" of \$20,922,000. Tax at 45 per cent was \$9,415,000 from which \$131,000 was taken away for an overprovision of tax related to prior years. Tax on income was therefore \$9,284,000.

"Items of a permanent difference" are then deducted. There are ten items, totalling \$8,380,000, including export investment allowances of \$275,000, "other" investment allowances of \$18,000, export tax incentives of \$455,000 and "other" tax incentives worth \$30,000.

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Challenge has published one of the most comprehensive tax disclosures of any company.

A brief summary of the \$9,284,000 provided for tax in the 1978-79 year shows the difference between "normal" tax rates and Challenge's liability.

The group starts with \$25,078,000 as net income before taxation. "Items of a permanent difference" worth \$2,333,000 are added to that amount to produce \$27,302,000.

"Items of a permanent difference" are then deducted. There are ten items, totalling \$8,380,000, including export investment allowances of \$275,000, "other" investment allowances of \$18,000, export tax incentives of \$455,000 and "other" tax incentives worth \$30,000.

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The "tax provision", in the balance sheet is more complicated, but results in an amount of \$11,846,000 after allowance for timing differences and other adjustments.

Challenge is having discussions with Inland Revenue regarding some items of the tax provision, relating to subsidiaries acquired in previous years.

The historic accounts in the 48-page magazine style annual report require little comment. Challenge provides a mass of information about turnover, gross profit, salaries employed and net profit by divisions, and all the usual statistics and ratios on a comparative basis.

Inclusion of current cost financial statements raises issues which suggest that considerable refinement is needed to this system of inflation accounting before it becomes a satisfactory method of recalculating company profits and balance sheets.

The substantial changes in these figures, and their absolute size, arise from the nature of Challenge's business. The group includes several subsidiaries operating as finance companies or merchant banks, while the pastoral company has a quasi-banking function for farmers.

The company assessed the circulating monetary asset adjustment by taking the

In the CCA consolidated statement of income Challenge provided a "circulating monetary assets adjustment" of \$32.8 million, compared with \$16.3 million in 1978. That adjustment takes account of the depreciating value of monetary assets.

It is offset by an increase of \$20.4 million in the "capital maintenance reserve financed from borrowings" which is the "gain" obtained by holding depreciating monetary liabilities (overdrafts, deposits, creditors, and other term borrowings). The corresponding figure in 1978 was \$15.9 million.

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The company assessed the circulating monetary asset adjustment by taking the

movement in the General Price Index, and applying it to the average of the movement in monetary liabilities between 1978 and 1979.

The GPI change was 16.79 per cent in the year to June, compared with 10.14 per cent in the previous year.

Challenge used the GPI because no other suitable index appeared available, but that index is unsuitable for several reasons, (NBR September 12, discussing Reserve Bank governor, Ray White's system of "reals"). The index includes "double counting" of some items, while the irregular changes in various sectors make it a rather hit or miss index for calculating monetary depreciation.

Challenge also followed the Accountants' Society policy of calculating taxation on historic cost principles, while taking pre-tax profit on the CCA system. The society's exposure draft on CCA says this is to be done because the Society

State stock rates to cool monetary system

by Peter V O'Brien

INTEREST rates in the Government cash loan which opened yesterday may not attract much institutional money.

The large financial institutions already hold Government stock in excess of their regulatory requirements, and any additional contributions would be voluntary.

An increase of 0.5 per cent on maturities of one and three years, a six year stock with a rate of 13 per cent (the same as the previous five year rate), and removal of the ten year option seem designed for the private investor, rather than large companies and funds.

The short term rates were increased for "competitive reasons", according to Acting Finance Minister Hugh Templeton. Could one of the competitive reasons be a desire to get some of that public service back into the Government's hands, rather than have it in other investments where it would eventually influence (albeit slightly) the expansion of private sector credit?

A rate of 11.5 per cent on Government stock may seem minimal "competition" for rates of 14 per cent on finance company loans, but that depends on the attitude of the lender.

There are probably large numbers of people prepared to give the Government money for one year at 11.5 per cent, accepting the difference of 2.5 per cent on the grounds of greater security.

This might be the case particularly with members of the public service, who will have sharp memories of the PSR's recent troubles. And public servants, on balance, could prefer the Government's

paper to that of the private sector as a matter of principle.

Other investors, closer to the workings of the private sector, need more convincing of the merits of investment in Government paper, but they could find a margin of 2.5 per cent for one year sufficient to overcome the security difference.

It should be noted that "security" in this context does not mean that leading finance companies are in any way shaky. "Security" is as much a question of peace of mind on the lender's part as it is the strength of the financial organisation where money is invested.

The six year stock replaces the previous five year maturity, but carries the same interest rate. Templeton said this option was introduced for "debt management reasons", which is another way of saying that the Government wants to keep a reasonable balance between its maturities.

Substantially ams were raised earlier this year in the five year stock, which is repayable in 1984. It makes sense to have another amount rolling over in 1985, rather than in 1984.

The removal of the 10 year option gives greater strength to the argument that the authorities are seeking funds from individuals rather than institutions.

It would be sensible to lift the 10 year rate if money was wanted from the institutions. Against that, is the argument that the movement from the last loan's 10 per cent would have to be substantial, and the difference would be politically troublesome.

So the Government removed the 10 year option, suggesting that it is at present happy with the institutions' public sector holdings.

The rapid reduction in the M1 and M2 monetary aggregates, with lesser downward movements in M3 and private sector credit expansion, would justify that approach, coupled with the increase in rates on banks and finance companies.

Changes to M1, M2 and then M3 follow on to private sector credit expansion after several months' time lag. In the year to August the change to M1 (usually referred to formally as the "money

supply", although people tend to get confused between that aggregate and the other larger groupings of demand and/or time deposits) and to M2 was under 9 per cent, while M3 and private sector credit also retreated from the levels of earlier months, although at a slower rate.

With only five months left to the March 1980 financial year it is doubtful whether private

sector credit expansion will come within the Government's 6 to 12 per cent guideline (and that is where the guideline applies, not to "money supply"), but it will certainly be well below the rate of 29 per cent recorded earlier in the year.

The latest Government stock rates can be seen as an exercise to take any developing heat out of the

monetary system. When coupled with other weapons—end it is a growing arsenal—the new rates will make the necessary modest adjustments. Various other combinations of rates over time could achieve the same object, but as a matter of policy the decision has been made to set the rates announced last week.

We will probably see other

adjustments in future, but it is doubtful whether the Reserve Bank and other official bodies (as opposed to politicians who will change their minds as they are doing) have made the and of their learning from the flexible interest rate system, and with development of a secondary market, which is a new outcome of such a system.

Takeover offers spark disclosures

by Peter V O'Brien



INVESTOR INSIGHT

tangible asset backing is likely to be in excess of \$2 a share. Directors have studied details of this revaluation and are convinced it is realistic but still conservative.

We start off with a "conservative" valuation of assets at April 30. Then we revalue on a "realistic" basis, and finish up with a valuation which is still conservative.

There may be degrees of conservatism, but apparently in April we have something which is "conservative" but unrealistic. We then make it "realistic" and it is still "conservative".

If the net asset backing were \$1.56 in April, and is expected to be "in excess of \$2" by October 31, the company will have an additional 44 cents a share. On the capital of \$10.9 million, that is another \$4.6 million in net shareholders coming to account between April and October.

Assuming that the profit does reach \$3 million for the 1978-79 year, the group would have a sum of \$1.25 million in extra retained profits from trading, after paying a higher dividend of 16 cents a share (\$1,744,000), and before any non-trading gains. That reduces the difference

from \$4.8 million to \$3.25 million of additional shareholders funds.

A shift of that size in six months is described as bringing valuations to a "realistic" basis. But it is still conservative, just as the previous valuation was conservative. Perhaps the company will revalue rental TV sets to a figure appropriate to their "real" lives.

The statement to shareholders says, in regard to a provision for deferred taxation (\$3,280,000 at October 31, 1978), that "provided the General Finance Group continues to follow its recent growth pattern, the probability is that the company will need to provide for considerably less taxation during 1979 and the next few years. This has been confirmed by the company's auditors."

Some of the reduced provision may turn up in shareholders funds, but earlier the document says that the anticipated \$3 million in net profit for 1978-79 represents, in part, a reduction in the provision for deferred taxation.

It is very confusing, and may explain why the board has a dilemma, particularly when we read "the aforementioned profit of \$3 million can be considered very satisfactory but it still does not truly reflect the benefits which will be derived from our recent investments".

If General Finance earns \$3 million, the earnings ratio on

capital will be 28 cents a share, and the proposed 16 cent dividend will have covered it 1.77 times. At last week's price of \$1.77 that gives a projected dividend yield of 9.0 per cent and a 23 cents margin before price and suggested new backing, the latter, as earlier, being a "conservative" calculation.

Assuming the company anticipated figures are correct, and that the figures as stated (probably conservative), the share investment possibilities.

The takeover offer creates a situation where B shareholders cannot

Their shares will rise before the offer to \$1.77 a share, they are told a dividend will rise to 16 cents a share, that the asset backing expected to be about \$2 a share, that the future is good.

Without the offer, all things may have been the release of the 1978-79 report next January.

But along came Finance with a large credit offer have raised questions (the method of payment, the offeror's operations, the offeror's consent, and the shareholders have asked knowledge of their company's financial position.

Note: The writer neither

nor has a beneficial interest in General Finance shares, and has no connection with Transvision.

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NBR SHAREMARKET SURVEY

WEEK ENDING OCTOBER 4, 1979

| 1979 High | Low | Last Sale | Week's High | Week's Low | Dividend % | Reported Turnover | Dividend Yield | P/E Ratio |
|--------------|-----|--------------|----------------|---------------|---------------|----------------------|-------------------|--------------|
| 115 | 100 | 105 | 110 | 100 | 12.0 | 400 | 5.5 | 2.5 |
| 120 | 105 | 110 | 115 | 105 | 11.5 | 450 | 5.5 | 2.5 |
| 125 | 110 | 115 | 120 | 110 | 11.0 | 500 | 5.5 | 2.5 |
| 130 | 115 | 120 | 125 | 115 | 10.5 | 550 | 5.5 | 2.5 |
| 135 | 120 | 125 | 130 | 120 | 10.0 | 600 | 5.5 | 2.5 |
| 140 | 125 | 130 | 135 | 125 | 9.5 | 650 | 5.5 | 2.5 |
| 145 | 130 | 135 | 140 | 130 | 9.0 | 700 | 5.5 | 2.5 |
| 150 | 135 | 140 | 145 | 135 | 8.5 | 750 | 5.5 | 2.5 |
| 155 | 140 | 145 | 150 | 140 | 8.0 | 800 | 5.5 | 2.5 |
| 160 | 145 | 150 | 155 | 145 | 7.5 | 850 | 5.5 | 2.5 |
| 165 | 150 | 155 | 160 | 150 | 7.0 | 900 | 5.5 | 2.5 |
| 170 | 155 | 160 | 165 | 155 | 6.5 | 950 | 5.5 | 2.5 |
| 175 | 160 | 165 | 170 | 160 | 6.0 | 1000 | 5.5 | 2.5 |
| 180 | 165 | 170 | 175 | 165 | 5.5 | 1050 | 5.5 | 2.5 |
| 185 | 170 | 175 | 180 | 170 | 5.0 | 1100 | 5.5 | 2.5 |
| 190 | 175 | 180 | 185 | 175 | 4.5 | 1150 | 5.5 | 2.5 |
| 195 | 180 | 185 | 190 | 180 | 4.0 | 1200 | 5.5 | 2.5 |
| 200 | 185 | 190 | 195 | 185 | 3.5 | 1250 | 5.5 | 2.5 |
| 205 | 190 | 195 | 200 | 190 | 3.0 | 1300 | 5.5 | 2.5 |
| 210 | 195 | 200 | 205 | 195 | 2.5 | 1350 | 5.5 | 2.5 |
| 215 | 200 | 205 | 210 | 200 | 2.0 | 1400 | 5.5 | 2.5 |
| 220 | 205 | 210 | 215 | 205 | 1.5 | 1450 | 5.5 | 2.5 |
| 225 | 210 | 215 | 220 | 210 | 1.0 | 1500 | 5.5 | 2.5 |
| 230 | 215 | 220 | 225 | 215 | 0.5 | 1550 | 5.5 | 2.5 |
| 235 | 220 | 225 | 230 | 220 | 0.0 | 1600 | 5.5 | 2.5 |
| 240 | 225 | 230 | 235 | 225 | 0.0 | 1650 | 5.5 | 2.5 |
| 245 | 230 | 235 | 240 | 230 | 0.0 | 1700 | 5.5 | 2.5 |
| 250 | 235 | 240 | 245 | 235 | 0.0 | 1750 | 5.5 | 2.5 |
| 255 | 240 | 245 | 250 | 240 | 0.0 | 1800 | 5.5 | 2.5 |
| 260 | 245 | 250 | 255 | 245 | 0.0 | 1850 | 5.5 | 2.5 |
| 265 | 250 | 255 | 260 | 250 | 0.0 | 1900 | 5.5 | 2.5 |
| 270 | 255 | 260 | 265 | 255 | 0.0 | 1950 | 5.5 | 2.5 |
| 275 | 260 | 265 | 270 | 260 | 0.0 | 2000 | 5.5 | 2.5 |
| 280 | 265 | 270 | 275 | 265 | 0.0 | 2050 | 5.5 | 2.5 |
| 285 | 270 | 275 | 280 | 270 | 0.0 | 2100 | 5.5 | 2.5 |
| 290 | 275 | 280 | 285 | 275 | 0.0 | 2150 | 5.5 | 2.5 |
| 295 | 280 | 285 | 290 | 280 | 0.0 | 2200 | 5.5 | 2.5 |
| 300 | 285 | 290 | 295 | 285 | 0.0 | 2250 | 5.5 | 2.5 |
| 305 | 290 | 295 | 300 | 290 | 0.0 | 2300 | 5.5 | 2.5 |
| 310 | 295 | 300 | 305 | 295 | 0.0 | 2350 | 5.5 | 2.5 |
| 315 | 300 | 305 | 310 | 300 | 0.0 | 2400 | 5.5 | 2.5 |
| 320 | 305 | 310 | 315 | 305 | 0.0 | 2450 | 5.5 | 2.5 |
| 325 | 310 | 315 | 320 | 310 | 0.0 | 2500 | 5.5 | 2.5 |
| 330 | 315 | 320 | 325 | 315 | 0.0 | 2550 | 5.5 | 2.5 |
| 335 | 320 | 325 | 330 | 320 | 0.0 | 2600 | 5.5 | 2.5 |
| 340 | 325 | 330 | 335 | 325 | 0.0 | 2650 | 5.5 | 2.5 |
| 345 | 330 | 335 | 340 | 330 | 0.0 | 2700 | 5.5 | 2.5 |
| 350 | 335 | 340 | 345 | 335 | 0.0 | 2750 | 5.5 | 2.5 |
| 355 | 340 | 345 | 350 | 340 | 0.0 | 2800 | 5.5 | 2.5 |
| 360 | 345 | 350 | 355 | 345 | 0.0 | 2850 | 5.5 | 2.5 |
| 365 | 350 | 355 | 360 | 350 | 0.0 | 2900 | 5.5 | 2.5 |
| 370 | 355 | 360 | 365 | 355 | 0.0 | 2950 | 5.5 | 2.5 |
| 375 | 360 | 365 | 370 | 360 | 0.0 | 3000 | 5.5 | 2.5 |
| 380 | 365 | 370 | 375 | 365 | 0.0 | 3050 | 5.5 | 2.5 |
| 385 | 370 | 375 | 380 | 370 | 0.0 | 3100 | 5.5 | 2.5 |
| 390 | 375 | 380 | 385 | 375 | 0.0 | 3150 | 5.5 | 2.5 |
| 395 | 380 | 385 | 390 | 380 | 0.0 | 3200 | 5.5 | 2.5 |
| 400 | 385 | 390 | 395 | 385 | 0.0 | 3250 | 5.5 | 2.5 |
| 405 | 390 | 395 | 400 | 390 | 0.0 | 3300 | 5.5 | 2.5 |
| 410 | 395 | 400 | 405 | 395 | 0.0 | 3350 | 5.5 | 2.5 |
| 415 | 400 | 405 | 410 | 400 | 0.0 | 3400 | 5.5 | 2.5 |
| 420 | 405 | 410 | 415 | 405 | 0.0 | 3450 | 5.5 | 2.5 |
| 425 | 410 | 415 | 420 | 410 | 0.0 | 3500 | 5.5 | 2.5 |
| 430 | 415 | 420 | 425 | 415 | 0.0 | 3550 | 5.5 | 2.5 |
| 435 | 420 | 425 | 430 | 420 | 0.0 | 3600 | 5.5 | 2.5 |
| 440 | 425 | 430 | 435 | 425 | 0.0 | 3650 | 5.5 | 2.5 |
| 445 | 430 | 435 | 440 | 430 | 0.0 | 3700 | 5.5 | 2.5 |
| 450 | 435 | 440 | 445 | 435 | 0.0 | 3750 | 5.5 | 2.5 |
| 455 | 440 | 445 | 450 | 440 | 0.0 | 3800 | 5.5 | 2.5 |
| 460 | 445 | 450 | 455 | 445 | 0.0 | 3850 | 5.5 | 2.5 |
| 465 | 450 | 455 | 460 | 450 | 0.0 | 3900 | 5.5 | 2.5 |
| 470 | 455 | 460 | 465 | 455 | 0.0 | 3950 | 5.5 | 2.5 |
| 475 | 460 | 465 | 470 | 460 | 0.0 | 4000 | 5.5 | 2.5 |
| 480 | 465 | 470 | 475 | 465 | 0.0 | 4050 | 5.5 | 2.5 |
| 485 | 470 | 475 | 480 | 470 | 0.0 | 4100 | 5.5 | 2.5 |
| 490 | 475 | 480 | 485 | 475 | 0.0 | 4150 | 5.5 | 2.5 |
| 495 | 480 | 485 | 490 | 480 | 0.0 | 4200 | 5.5 | 2.5 |
| 500 | 485 | 490 | 495 | 485 | 0.0 | 4250 | 5.5 | 2.5 |
| 505 | 490 | 495 | 500 | 490 | 0.0 | 4300 | 5.5 | 2.5 |
| 510 | 495 | 500 | 505 | 495 | 0.0 | 4350 | 5.5 | 2.5 |
| 515 | 500 | 505 | 510 | 500 | 0.0 | 4400 | 5.5 | 2.5 |
| 520 | 505 | 510 | 515 | 505 | 0.0 | 4450 | 5.5 | 2.5 |
| 525 | 510 | 515 | 520 | 510 | 0.0 | 4500 | 5.5 | 2.5 |
| 530 | 515 | 520 | 525 | 515 | 0.0 | 4550 | 5.5 | 2.5 |
| 535 | 520 | 525 | 530 | 520 | 0.0 | 4600 | 5.5 | 2.5 |
| 540 | 525 | 530 | 535 | 525 | 0.0 | 4650 | 5.5 | 2.5 |
| 545 | 530 | 535 | 540 | 530 | 0.0 | 4700 | 5.5 | 2.5 |
| 550 | 535 | 540 | 545 | 535 | 0.0 | 4750 | 5.5 | 2.5 |
| 555 | 540 | 545 | 550 | 540 | 0.0 | 4800 | 5.5 | 2.5 |
| 560 | 545 | 550 | 555 | 545 | 0.0 | 4850 | 5.5 | 2.5 |
| 565 | 550 | 555 | 560 | 550 | 0.0 | 4900 | 5.5 | 2.5 |
| 570 | 555 | 560 | 565 | 555 | 0.0 | 4950 | 5.5 | 2.5 |
| 575 | 560 | 565 | 570 | 560 | 0.0 | 5000 | 5.5 | 2.5 |
| 580 | 565 | 570 | 575 | 565 | 0.0 | 5050 | 5.5 | 2.5 |
| 585 | 570 | 575 | 580 | 570 | 0.0 | 5100 | 5.5 | 2.5 |
| 590 | 575 | 580 | 585 | 575 | 0.0 | 5150 | 5.5 | 2.5 |
| 595 | 580 | 585 | 590 | 580 | 0.0 | 5200 | 5.5 | 2.5 |
| 600 | 585 | 590 | 595 | 585 | 0.0 | 5250 | 5.5 | 2.5 |
| 605 | 590 | 595 | 600 | 590 | 0.0 | 5300 | 5.5 | 2.5 |
| 610 | 595 | 600 | 605 | 595 | 0.0 | 5350 | 5.5 | 2.5 |
| 615 | 600 | 605 | 610 | 600 | 0.0 | 5400 | 5.5 | 2.5 |
| 620 | 605 | 610 | 615 | 605 | 0.0 | 5450 | 5.5 | 2.5 |
| 625 | 610 | 615 | 620 | 610 | 0.0 | 5500 | 5.5 | 2.5 |
| 630 | 615 | 620 | 625 | 615 | 0.0 | 5550 | 5.5 | 2.5 |
| 635 | 620 | 625 | 630 | 620 | 0.0 | 5600 | 5.5 | 2.5 |
| 640 | 625 | 630 | 635 | 625 | 0.0 | 5650 | 5.5 | 2.5 |
| 645 | 630 | 635 | 640 | 630 | 0.0 | 5700 | 5.5 | 2.5 |
| 650 | 635 | 640 | 645 | 635 | 0.0 | 5750 | 5.5 | 2.5 |
| 655 | 640 | 645 | 650 | 640 | 0.0 | 5800 | 5.5 | 2.5 |
| 660 | 645 | 650 | 655 | 645 | 0.0 | 5850 | 5.5 | 2.5 |
| 665 | 650 | 655 | 660 | 650 | 0.0 | 5900 | 5.5 | 2.5 |
| 670 | 655 | 660 | 665 | 655 | 0.0 | 5950 | 5.5 | 2.5 |
| 675 | 660 | 665 | 670 | 660 | 0.0 | 6000 | 5.5 | 2.5 |
| 680 | 665 | 670 | 680 | 665 | 0.0 | 6050 | 5.5 | 2.5 |
| 685 | 670 | 675 | 685 | 670 | 0.0 | 6100 | 5.5 | 2.5 |
| 690 | 675 | 680 | 690 | 675 | 0.0 | 6150 | 5.5 | 2.5 |
| 695 | 680 | 685 | 695 | 680 | 0.0 | 6200 | 5.5 | 2.5 |
| 700 | 685 | 690 | 700 | 685 | 0.0 | 6250 | 5.5 | 2.5 |
| 705 | 690 | 695 | 705 | 690 | 0.0 | 6300 | 5.5 | 2.5 |
| 710 | 695 | 700 | 710 | 695 | 0.0 | 6350 | 5.5 | 2.5 |
| 715 | 700 | 705 | 715 | 700 | 0.0 | 6400 | 5.5 | 2.5 |
| 720 | 705 | 710 | 720 | 705 | 0.0 | 6450 | 5.5 | 2.5 |
| 725 | 710 | 715 | 725 | 710 | 0.0 | 6500 | 5.5 | 2.5 |
| 730 | 715 | 720 | 730 | 715 | 0.0 | 6550 | 5.5 | 2.5 |
| 735 | 720 | 725 | 735 | 720 | 0.0 | 6600 | 5.5 | 2.5 |
| 740 | 725 | 730 | 740 | 725 | 0.0 | 6650 | 5.5 | 2.5 |
| 745 | 730 | 735 | 745 | 730 | 0.0 | 6700 | 5.5 | 2.5 |
| 750 | 735 | 740 | 750 | 735 | 0.0 | 6750 | 5.5 | 2.5 |
| 755 | 740 | 745 | 755 | 740 | 0.0 | 6800 | 5.5 | 2.5 |
| 760 | 745 | 750 | 760 | 745 | 0.0 | 6850 | 5.5 | 2.5 |
| 765 | 750 | 755 | 765 | 750 | 0.0 | 6900 | 5.5 | 2.5 |
| 770 | 755 | 760 | 770 | 755 | 0.0 | 6950 | 5.5 | 2.5 |
| 775 | 760 | 765 | 775 | 760 | 0.0 | 7000 | 5.5 | 2.5 |
| 780 | 765 | 770 | 780 | 765 | 0.0 | 7050 | 5.5 | 2.5 |
| 785 | 770 | 775 | 785 | 770 | 0.0 | 7100 | 5.5 | 2.5 |
| 790 | 775 | 780 | 790 | 775 | 0.0 | 7150 | 5.5 | 2.5 |
| 795 | 780 | 785 | 795 | 780 | 0.0 | 7200 | 5.5 | 2.5 |
| 800 | 785 | 790 | 800 | 785 | 0.0 | 7250 | 5.5 | 2.5 |
| 805 | 790 | 795 | 805 | 790 | 0.0 | 7300 | 5.5 | 2.5 |
| 810 | 795 | 800 | 810 | 795 | 0.0 | 7350 | 5.5 | 2.5 |
| 815 | 800 | 805 | 815 | 800 | 0.0 | 7400 | 5.5 | 2.5 |
| 820 | 805 | 810 | 820 | 805 | 0.0 | 7450 | 5.5 | 2.5 |
| 825 | 810 | 815 | 825 | 810 | 0.0 | 7500 | 5.5 | 2.5 |
| 830 | 815 | 820 | 830 | 815 | 0.0 | 7550 | 5.5 | 2.5 |
| 835 | 820 | 825 | 835 | 820 | 0.0 | 7600 | 5.5 | 2.5 |
| 840 | 825 | 830 | 840 | 825 | 0.0 | 7650 | 5.5 | 2.5 |
| 845 | 830 | 835 | 845 | 830 | 0.0 | 7700 | 5.5 | 2.5 |
| 850 | 835 | 840 | 850 | 835 | 0.0 | 7750 | 5.5 | 2.5 |
| 855 | 840 | 845 | 855 | 840 | 0.0 | 7800 | 5.5 | 2.5 |
| 860 | 845 | 850 | 860 | 845 | 0.0 | 7850 | 5.5 | 2.5 |
| 865 | 850 | 855 | 865 | 850 | 0.0 | 7900 | 5.5 | 2.5 |
| 870 | 855 | 860 | 870 | 855 | 0.0 | 7950 | 5.5 | 2.5 |
| 875 | 860 | 865 | 875 | 860 | 0.0 | 8000 | 5.5 | 2.5 |
| 880 | 865 | 870 | 880 | 865 | 0.0 | 8050 | 5.5 | 2.5 |
| 885 | 870 | 875 | 885 | 870 | 0.0 | 8100 | 5.5 | 2.5 |
| 890 | 875 | 880 | 890 | 875 | 0.0 | 8150 | 5.5 | 2.5 |
| 895 | 880 | 885 | 895 | 880 | 0.0 | 8200 | 5.5 | 2.5 |
| 900 | 885 | 890 | 900 | 885 | 0.0 | 8250 | 5.5 | 2.5 |
| 905 | 890 | 895 | 905 | 890 | 0.0 | 8300 | 5.5 | 2.5 |
| 910 | 895 | 900 | 910 | 895 | 0.0 | 8350 | | |

ABC line exporters brave conference wrath Competitive pricing reduces space for error

by Warren Berryman

ABC Containerline's multi-purpose ship, the Antwerpen, was sitting low in the water alongside Auckland's Freyberg wharf last week.

Aboard were 17,735 tonnes of mineral sand from West Australia, 10,512 tonnes of alumina from Queensland, and 150 40-foot containers and 30 20-foot containers from Australian manufacturers.

As guests boarded the Antwerpen for a welcoming cocktail, 6000 tonnes of New Zealand galvanised sheet steel were being hoisted aboard.

Apart from the steel, the cargo out of Auckland on this non-conference ship's maiden visit, was disappointing — only a dozen or so 20 foot containers.

If tonnages out of New Zealand don't improve, ABC will probably have to drop Auckland as a port of call.

If this happens — if the conferences and producer boards are successful in driving ABC out of the New

Zealand trade — then our Australian manufacturing competitors will rest alone enjoying cheaper rates than paid by New Zealand manufacturers to the conferences. (See NBR October 3, 1979)

Tied up near the Antwerpen that night was the ACT 4, a conference ship from a long line that have been providing regular service to this country's ports for years.

ACT is owned by a consortium of shippers of which Blue Star (another conference carrier) is a member. Blue Star is owned by the Vestey family who also have a major interest in this country's meat industry through W and R Fletcher NZ Ltd — and a strong voice in the affairs of the Meat Exporters Council and the Meat Board.

Aboard the Antwerpen, the Auckland Harbour Board general manager Robert Lorimer, welcomed the ship and crew to New Zealand.

Relations were cordial. The

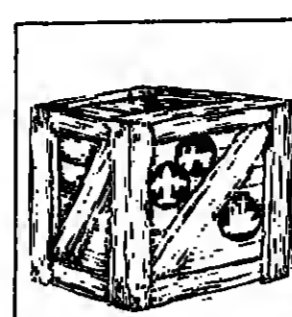
wharves loaded the ship in quick time allowing her to leave before schedule. Waterlander's Union boss Jack Clair was there hosting a drink or two with ABC's agents, Harbour Board executives and exporters.

The presence of two journalists, one from NBR and one from SPTV, had an inhibiting effect on conversation where ever they went.

Exporters using ABC were not anxious to publicise the fact for fear of retaliation by the conferences. Many of those exporters present had previously shipped with Ace Lines — the non-conference carrier that cut some commodity freight rates in half in a price war with the conferences before leaving the New Zealand trade.

The topic most discussed was how New Zealand exporters were disadvantaged in world trade by our disproportionately high freight rates.

One Auckland manufacturer



TRANSPORT

had a hot prospect to sell his goods to Columbia. His price was right on an FOB basis but New Zealand's high freight rates priced him out of the market.

This manufacturer checked up on the freight rates paid by his worldwide competitors to the same market. The following are the freight rates to Columbia.

Conference rates: from New Zealand with trans-shipment

at Singapore — \$350 a tonne. From New Zealand with trans-shipment at East Coast United States — \$273.20 a tonne.

Non-Conference: Polleh Ocean Lines — \$170.45 a tonne. Auckland Shipping and Chartering \$220 a tonne.

The same goods shipped from South Africa would cost only \$60 a tonne.

Goods from South Africa, half a world away from Columbia, would go for about one third of the cheapest rate out of New Zealand... or less than a quarter of the cheapest conference rate available.

As a result, the goods did not go at all. The Auckland manufacturer's FOB price was acceptable to the buyer. But there was no way he could compete on freight with his international competitors.

Other manufacturing exporters aboard said they were receiving a lot of attention from the conference lines in recent weeks with inducements to shun ABC and remain loyal to the conference.

The Meat and Dairy Boards recently negotiated with the conference a 5 per cent freight rate increase for their products.

Manufacturers were not present at these negotiations and their freight rates went up 17 per cent to Europe and 21 per cent to Britain last week.

The Meat and Dairy Boards said they were happy with the new freight rates. Manufacturers, who will in effect be subsidising producer board freight rates to a greater degree now than in the past, are not happy with their freight increases.

Meat Board chairman Charles Hilgendorf was quoted in the Auckland Star saying, Waitaki NZR "acted irresponsibly and against the interests of New Zealand in raising doubts over our ability to control the flow of lamb into Europe".

In his criticism of Waitaki, who tried to save itself \$5 million in freight by shipping with ABC, Hilgendorf said: "The only worrying thing about it all has been that our prime argument against suggestions of a restrictive EEC sheepmeat regime is that the board has always sold it had complete control and therefore could ensure a well regulated and disciplined flow on to the European market."

Despite Hilgendorf's remarks, one might wonder the reaction of the Belgian Government to having ABC snubbed by the Meat Board.

The Belgian Government is strongly backing ABC in an effort to revive that country's shipping industry. And it is at least open to conjecture whether the Belgians will take kindly to their shipowners being shut out while British shipowners are favoured — and whether this will influence their stance vis-a-vis access of New Zealand meat to the European community's market.

Meanwhile the battle with the Meat and Wool Boards and ABC has been carried to the courts.

Waitaki NZR is seeking a judicial review of the Meat Board's seizure of the meat it intended shipping with ABC at a \$5 million a year saving.

ABC represented its offer to carry meat at reduced freight rates to the Meat Board.

ABC hoped to fill with kiwifruit this space on its ship left by the seized meat. It offered kiwifruit shippers a rate 20 per cent less than conference rates.

These shippers get a 10 per cent loyalty rebate from the cartel, which it would have lost by shipping with ABC.

Initially the kiwifruit shippers turned to ABC because there was no way to find space for the kiwifruit to go to ABC. ABC's cargo.

Federated Farmers came out in support of ABC. But the producers may not be used to export products.

ABC's support is manufacturing exporters reported to be marginal.

The owner of ABC, Tevi Rosenfeld, is a Canadian taking the Wool Board to an American Federal Trade Commission to rule on practices which bar him from the wool trade.

Rosenfeld has other interests in New Zealand. He is part owner of ABC Carriers which runs Tasman services to the Union Company.

Rosenfeld owns the ABC and chartered it to ABC Carriers. He owns assets on the trans-Tasman route, which is chartered to a bare boat basis to him: who in turn time charters the Union Company.

Exporters shipping to Tasman say that the use of Maritime Carriers to that has brought freight rates through competition.

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New Zealand and Australian manufacturers are to survive and compete profitably on world markets in the next decade, they must reappraise their approaches to quality control. Otherwise the quality control of the world — particularly those of Southeast Asia — which are moving rapidly in manufacturing technology will present serious problems to all our industries.

That was the message put to a group of New Zealand manufacturers by the joint chief executive of Repco (Australia), Tony Avery.

Apart from energy shortages, industry faced much more highly developed expectations from consumers for quality and performance in goods, Avery said.

Quality orientation started at the top, but should be in the minds of everyone engaged in the enterprise. That means governments and trade unions "she'll be right mate" and "near enough is good enough" would not do, Avery said.

Management's job was to thoroughly research all its products — particularly those which are safety related.

That meant determining the purpose of the product, asking if that purpose was valid, and determining if the product fitted the purpose.

A high level of product engineering and technology was demanded: careful analysis of the product design followed by testing and development, and a thorough value analysis to test the economics of each element.

Market research and analysis was as essential as the programme needed to develop a product.

The case of the Leyland F12 must surely remind us of the necessity of assessing the market before making major product commitments," said Avery.

Did manufacturers know their customers, or did they merely represent a sales figure? he asked.

How did the customer use or misuse the product? Management should assess the customer by continual data input and not await a turn-down of sales before applying corrective action.

An over-reliance on national economic trends was often used to explain a business downturn when the real cause might be poor product quality, inefficient marketing or lack

of customer acceptance, Avery said.

On product liability, Avery said the greatest problems confronting management were how to allow for situations of recall — tracing owners, meeting cost of rectification or replacement and possibly paying for loss of profit by the users.

Add to that the potential of class action, and manufacturers had a situation that could jeopardise the financial viability of any manufacturing operation, he said.

The subject of legal class actions was receiving a lot of study by Australia's state attorneys-general.

It was essentially a procedure for allowing a multitude of individual claims to be determined in a single action where otherwise each claimant would have to sue separately.

Class members were not strictly parties to the action, and were relieved from liability for costs, but were bound by the court's decision.

Class actions permitted effective relief for small claimants whose claims, standing alone, would not justify the cost of litigation.

Moreover, aggregate awards in class actions were extremely effective deterrents because they hit the defendant where it hurts most — the hip pocket.

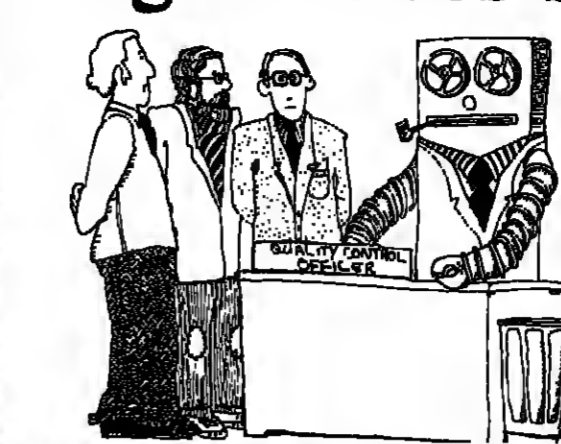
And by their nature, class actions ensured large-scale public exposure of unlawful activity.

A worrying factor, and one which must surely emphasise the concern of good quality practices, was that the threat of class actions might cause innovative companies to retreat to tried and tested products rather than introduce a product which is technologically more advanced, and probably less expensive to make, Avery said.

On computer technology, Avery discussed the question of whether management should involve itself in such highly capital intensive trends in the face of market uncertainty.

One of the most important uses of this technology in the 1980s, he believed, would be in the field of materials management.

Many present systems for inventory control — though they might be computerised — grew out of manual systems



and hid weaknesses which limited their ability to react to change.

New systems would minimise the time stock lies on the shelf waiting to be used; they would react quickly to changes in customer demand, stock loss and so on.

The result was fewer rush set-ups and improved product quality.

Avery said continued use of obsolete manufacturing technology could not be

justified either from an economic or resource point of view.

To manufacture quality products, new and better processes must be developed. The margins for error no longer existed and the cost of defective work could no longer be absorbed into a competitive pricing structure.

Total control of quality now replaced the margins for error and product liability insurance on which management used to

rely, he said.

No company of any worth could afford not to have a stated policy on total quality control.

The cost of quality started with the original concept of product design and finished with the satisfied customer.

Both design and raw materials should offer minimum problems in manufacture as well as being suited for the end purpose. Too much waste resulted from the temptation of manufacturers to use cheap raw materials, Avery said.

Selection of manufacturing processes needed care.

Processes having inadequate capability led to increased in-line and finished inspection plus a high proportion of rejects. Both were a direct cost against the product.

Maintenance of processes was another important factor which was overlooked, Avery said.

Inbuilt warning systems and preventive maintenance

schedules led to higher production rates and quality levels.

On wastage and its cost to the national economy, Avery said neither New Zealand nor Australia could afford to plan for a 5 or even 10 per cent scrap rate in today's competitive markets.

"The improvement of product quality through total quality control and a national drive toward the goal of zero defects is the only way by which manufacturing industry can become efficient and competitive," he said.

Both Japan and Germany had demonstrated the value of quality control technology.

Critics of the concept said it added unnecessary costs to the product; but in reality costs were reduced, once initial development costs were met.

Thereafter service costs were minimal and management had an effective counter to product liability risks.

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NZ FOREST PRODUCTS LTD

Points from the address by chairman A.G. Wilson to the 43rd AGM of the Company, at Auckland on August 30, 1979

IN BRIEF 1978-79 RESULTS

- New record level of sales totals \$335.5 million, an increase of more than \$50 million.
- Profit of \$22.9 million attained through use of shareholders' funds totalling \$273 million.
- Dividend of 15.5 per cent involved distribution of about \$11 million.
- Major contribution made to profitability by increased efficiency and output at major mills, especially the Kirieth pulp mills.

Switch to natural gas at Kirieth likely to cut the \$13 million a year bill for imported fuel oil by 80 per cent early next year. Continuing improvement shown in sales for the first four months of the current financial year.

SURVEY OF RESULTS

At times it is a pleasure to have forecasts proved incorrect. This was indeed the position last year. At the half year the situation appeared unfavourable and the Directors found it necessary to indicate the expectation of lower profit than for the previous financial year, which was some \$2.4 million below the peak profit recorded in the 1976-77 year.

Several factors contributed to the improved results for the second six months of the year. Stimulation of the economy by Government; local and export sales at higher levels; improved prices for some export sales indicating a general improvement in overseas markets. To an even greater degree, the improvement in results came from within the Company where increased efficiency and output of major mills, especially the Kirieth pulp mills, made a major contribution to profitability. Management and staff worked hard to obtain this result.

This improvement in the second half of the 1978-79 financial year was very satisfying and provided a sound base for the planning and endeavour now taking place to earn, under current conditions, profits at a more acceptable level on the shareholders' funds.

CURRENT POSITION

This improvement in production and profitability shown in the latter part of last year is continuing. For the first four months of the current financial year sales have exceeded those for the same period of the previous year by over \$37 million or 36 per cent. Profit is also well ahead of that achieved to the end of July 1978.

Thirty-eight thousand seven hundred and fifty tonnes of kraft pulp were made at Kirieth in July — almost 2000 tonnes more than the last record four years ago. In the same month the Kirieth paper machines produced their highest ever output of paper — 24,192 tonnes for the month.

OUTLOOK

For the rest of this financial year the outlook is promising. In New Zealand, liquidity is tightening as Government policy, which stimulated the economy prior to the 1978 parliamentary elections, has now changed direction. New Zealand business could be described as being on a plateau at a somewhat higher level than at this time last year. It seems unlikely to improve over the next few months.

Activity in the building industry is at a comparatively low level; new housing starts are below 20,000 a year; commercial building is not buoyant and will be further adversely affected by monetary restrictions and high interest rates; renovation work continues to utilise an important volume of building materials; local demand for timber remains quite strong and wallboard sales have been maintained at reasonably satisfactory levels.

Domestic demand for kraft and other packaging papers from Kirieth and Matarua remains high and is expected to continue for some time. For printing and stationery papers a satisfactory order level is being maintained.

Our structural plywood sales in New Zealand are increasing with more diverse uses for this versatile material, including new agricultural applications.

The main exports are kraft pulp and kraft paper. For kraft pulp, strong demand continues and we have contracted to sell our production for this year. Prices have risen but are now tending to flatten. Exports of kraft paper are also absorbing our available output at improved prices, but are subject to keen competition which may well inhibit further price increases.

Sales of logs and timber to Japan are continuing at acceptable volumes and prices, while Australian sales of our timber are being maintained. Endeavours are being made to develop overseas sales of Whakatahi paperboard.

While this is proving to be fairly difficult, some progress is being made against strong competition. Plywood sales are continuing to the United Kingdom, West Germany and Hong Kong, but local demand is now requiring a greater proportion of our output of this comparatively new product. Wallboards,



A.G. WILSON, OBE... NZ Forest Products Ltd Chairman.



D.O. WALKER... NZ Forest Products Ltd Director.

"Multiwell" bags, tall oil and turpentine also contribute to the Company's export sales.

Cost inflation in New Zealand is not always recoverable in export prices. Higher transport costs also have an adverse effect and handicap our export efforts. The recent devaluation of the New Zealand dollar has had an immediate net beneficial effect on our Company.

The recent change in Government policy on the setting of exchange rates is also welcomed. The smaller, more frequent adjustments now being applied must go some way towards maintaining a more stable level of profitability to exporters by helping to offset the effects of local inflation.

Though still waiting for some details, the Company will receive an additional benefit from the Export Performance Taxation Incentive as outlined in the 1979 Parliamentary Budget.

The Company can face the future, which is likely to be characterized by rapid change, with confidence. The basic strength inherent in ownership of expanding forests as a raw material source plus good productivity and product and market diversification will ensure this.

OUR OBJECTIVE

The Company has adopted a Corporate Planning method of establishing and attaining target levels of performance. This recognises the objective of earning profits at adequate levels on the shareholders' funds invested in each sector, and for the Company.

Some will suggest that last year's profit of \$22 million was a large one, but the fact is that to attain it has required the use of shareholders' funds of \$273 million. The return on these funds of 9.4 per cent compares with the national average in 1978 of 11 per cent and this was lower than for the previous year. Improvement is essential.

THE WORK FORCE

Industrial relations in New Zealand leave much to be desired, but our Company has enjoyed stable industrial relations and the benefits of better trading conditions. Where the output of our plants has been increased the benefit has been shared with the work force through larger productivity bonuses.

OUR SHAREHOLDERS

Shareholders now number approximately 67,000. These members live in 63 different countries with by far the greatest proportion, 49,500 holding almost 66 million shares, being New Zealand residents.

DEVELOPMENTS

Patents are held for the bark extract process which will produce an adhesive for plywood and a bonding agent for particle board. The project is now in hand and should be completed early in 1981.

Furthermore there is the possible production at the Kirieth mills of a fluid packaging board which can be used for the

manufacture of cartons to hold many different liquids. The Company has established its ability to produce suitable board and is looking to Australia as the immediate market for this grade.

With the current emphasis on reducing the cost of imported sources of energy, the Company will reduce its fuel oil bill of about \$13 million a year by some 10 per cent early next year when Mout natural gas will be available to Kirieth.

In the broader context of future energy resources, forests could play a part, as it is possible to produce or ethanol from any carbon-containing material including wood and wood waste. NZFP is not actively in investigations but it is in touch with development.

During the past 20 years NZFP has been the leader in the sale of radiata pine logs to Japan. Some years ago, also made to Korea through the four Japanese companies which have been the buyers of the Company since the trade began.

During the last three years sales of logs have been to a level of approximately one-third of the peak in the early 1970s. The reduction has come about through demand in Japan under tight internal economic conditions. The reduction is also in line with NZFP policy.

As processing wood from existing and future forests is most desirable NZFP expects exports to be eliminated in favour of processed wood products. Japanese and other markets during the next two

DIVIDENDS

After allowing for the interim dividend paid last year there remains available for distribution from the Premium Account an approved sum of \$20,000.

The Directors believe shareholders who can take this method of payment should be able to do so as an opportunity. If the policy followed this year is continued the balance remaining available for distribution from the Premium Account should be sufficient to cover next year's final dividend and the total dividends for next year may be possible to set aside further amounts for this year but eventually the pool must be reached when the Premium Account is exhausted and thereafter dividends will be payable from profit and will be taxable in the hands of shareholders.

The double taxation of company profits distributed as dividends is a matter of concern and it is to be hoped the Government will realise that this does nothing to encourage investment in New Zealand companies.

DIRECTORY

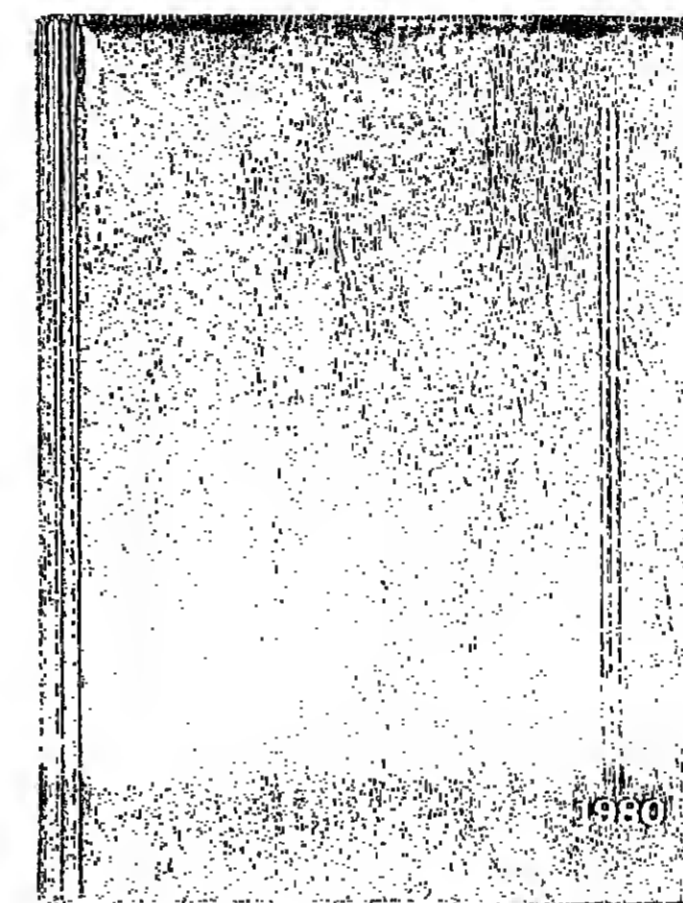
After 20½ years as a Director of the company, Mr. Walker retired from the Board at the close of the meeting. The Board had appointed Mr. L. N. Rose as Chairman and Mr. P. L. Laing as Deputy Chairman as from August 31, 1979.

Copies of the full address may be obtained from the Public Relations Department, NZ Forest Products Ltd, Private Bag, Auckland, New Zealand.

From Salvation Army typewriter to developer

SUPPLEMENT TO NATIONAL BUSINESS REVIEW, OCTOBER 10TH 1979

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NZ FOREST PRODUCTS LTD

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During the last three years sales of logs have been reduced to a level of approximately one-third of the peak level of the early 1970s. The reduction has come about through reduced demand in Japan under tight internal economic conditions. The reduction is also in line with NZFP policy.

As processing wood from exalating and future forested areas is most desirable NZFP expects exports of logs to be eliminated in favour of processed wood products for the Japanese and other markets during the next two years.

DIVIDENDS

After allowing for the interim dividend paid last year there remains available for distribution from the Share Premium Account an approved sum of \$30,000,000.

The Directors believe shareholders who can benefit from this method of payment should be able to do so at the earliest opportunity. If the policy followed this year is continued the balance remaining available for distribution from the Share Premium Account should be sufficient to cover the year's final dividend and the total dividends for that year may be payable to set aside further amounts for this purpose but eventually the point must be reached when the Share Premium Account is exhausted and thereafter dividends will be payable from profit and will be taxable in the hands of most shareholders.

The double taxation of company profits distributed as dividends is a matter of concern and it is to be hoped that Government will realise that this does nothing to encourage investment in New Zealand companies.

DIRECTORY

After 20½ years as a Director of the company, Mr. R. Tozer retired from the Board at the close of the meeting. The Board had appointed Mr. L. N. Rose as Chairman and Mr. P. L. Laing as Deputy Chairman as from August 31, 1979.

Copies of the full address may be obtained from: Public Relations Department, NZ Forest Products Ltd, Private Bag, Auckland, New Zealand.

From Salvation Army trumpeter to developer

by Rae Mazengarb

GRAEME Bringsans, slightly balding and rather rotund for his 34 years, gives the impression he would not be happy if he was not working on a challenging business deal.

"People say I'm a workaholic," he says. "But I don't believe I am - I find it easy to turn off business and relax."

As he goes through the day's programme with an associate, it transpires that he has been at the office since 5 a.m. There are meetings through the afternoon, and well into the evening.

He has just confirmed a big property deal in Christchurch, and a \$30 million project - "you'd better qualify that... over a five-to-10 year period" - looks sure to proceed in Auckland.

Fifteen years ago he was playing a trumpet in the Salvation Army band.

He laughs a little. His parents were Salvation Army officers... naturally he played an instrument.

He joined the Williams group at the age of 19 after three years as an insurance clerk, while working for a developer in his spare time.

With a successful developer like Arthur Williams it was a case of "sink or swim".

"At the age of 22, I was asked to run the group of companies for eight weeks while Williams was overseas." He learnt to swim.

In June 1976, Bringsans went out on his own.

Past the boom years of the early 1970s, the property

development market then was in a state of continuing decline.

"I'd planned for some time to go out on my own... but it had to be when the market was at a low point", he insists.

The disciplines of property development learnt in hard times are the most important, he says.

"It's a cyclical industry, full of peaks and troughs... it's easy to climb on while things are on the rise. But the real test is the ability to survive the harder economic times."

The market is more depressed today than in 1979, but Bringsans says the opportunities are still there.

"Luck? - I don't believe in it." It's just a case of sheer hard work, he says.

But he is not about to advise others to follow his lead.

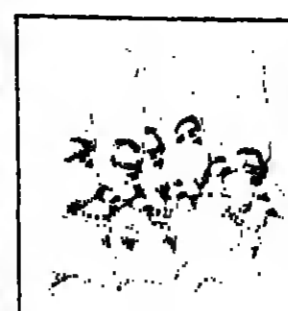
"I had several offers of backing from parties of some substance. I refused them, because I didn't want anyone to blame."

He formed Cromwell Property Resources Ltd with a capital of only \$2000 in November 1978, to offer the industry a concept which he says was largely untried here.

Rather than go searching for a project to undertake on his own, he would work with the whole range of people able to contribute to the overall development of property, from tenant owner, to architect, to builder.

"I see a place for people who own buildings, land or whatever, to have an on-going involvement in a particular project, if that's what they want."

He applied the concept to his first project, which involved a



PROFILE

large vacant site in Wellington for which the owners had paid a high price at the tail end of the boom.

Several other developers had looked at the land, but while the owners had the resources to own a completed building, they were not prepared to move until they had a tenant.

But there was nothing there to show to a prospective tenant. So Bringsans had a scheme prepared, at no cost to the owner, showing how the land could be developed for multiple or single tenancies.

Applying his philosophy, they retained ownership, but the project proceeded without tenancy being arranged. We negotiated the building contracts and so on."

The project was completed after deduction of all expenses, for \$50,000 less than valuation - and fully leased within four weeks of the builders leaving the site.

Other developers had been interested only in selling the completed building back to the land-owner at retail price.

Bringsans' scheme meant the

owner reaped the benefit of cost savings.

Described by some of his associates as an "apt pupil", Bringsans readily admits his days working for Williams set him on the road to success.

Williams believes in overseas travel as an educative tool to supplement basic knowledge. And Bringsans recalls several trips for which he was given no brief - just free range and observe the trends.

Overseas developers did not appear to stick to the New Zealand formula of the developer keeping all profits. Rather it was a case of combining resources, joining people, ideas, foresight, funds and expertise.

"What you lose in an extra slice of the profit cake you gain in good will and on-going opportunities", he rationalises.

But he admits it took more than nine months to get his first project underway.

Meanwhile, he had "significant resources" but had to live.

"I had to buy a car."

Quite a step down from the Mercedes of earlier years, the Marine he bought left him funds to lease offices in the rear of Wakefield House, centrally located on The Terrace in Wellington.

It was important to generate income without having to force property development to happen.

So he started building home units, gradually moving up-market. He is now building to high-class owner-occupier dwellings involving more than \$500,000, but he says it is just to



GRAEME BRINGSANS... a case of combining resources, provide revenue to finance further commercial development.

In May this year he was selected to undertake a development study for a 2½ hectare site on the periphery of inner Auckland.

"It was a milestone, because I was selected from out of Auckland", he says.

A \$30 million project is quite something for such a small operation (Bringsans reminds me he is Cromwell Property Resources).

He admits he had to involve consultants, but he prefers to work with others "at arms length".

It's added protection. If you employ too many people full-time you are always under pressure to keep them busy; you build up and build up until you must get a project; you force the pace, he argues.

Determined to "swim against the tide", earlier this year he moved into his birthplace, Christchurch, forming Paynter and Hamilton

Property Developments, a joint venture with a Christchurch company.

The first project, confirmed last month, is the restoration of a 8300 square metres building known as Coshfields.

Other major developers had looked at it and even the owners had seriously considered demolishing the old Victorian structure.

The joint company plans to restore it right down to the stained glass windows and old gas lamp lights.

"Within three months, we raised \$1.6 million on first mortgage, confirmed the design, got agreement in principle from the council for its restoration and virtually confirmed all tenants," said Bringsans.

Earlier, he had restored a couple of large Wellington houses that had been tagged for demolition for years, the Kelburn complex now called "The Villas". His wife, Betsy, runs a shop there.

He believes there is an increasing place for restoration of old buildings, half the capital cost of new construction.

He does not talk too much about his private life; he admits most of his friends are business colleagues.

This places demands on family life, but Betsy has worked since February at the Villas and they have both become accustomed to tailoring their life-style around business.

"I've sacrificed involvement in some activities," he says. "But I don't say 'no' just because I don't think I have time."

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Watchdogs approve Perpetual sale

by Rae Mazengarb

THE Overseas Investment Commission and the Commerce Commission have approved the AMP Society acquisition of the Perpetual Trustees, Estate and Agency Co of New Zealand Ltd.

Sold for \$3.25 million, Perpetual now becomes an asset owned by the society's New Zealand policy-holders.

AMP holds the shares in the name of a wholly-owned New Zealand subsidiary, incorporated for that purpose, AMP Financial Services (NZ) Ltd.

Considered by many a "doomed machine" after it met with financial difficulties in 1975, the Dunedin-based company has received a "clean bill of health" from the chairman of the Statutory Board of Perpetual and its substitute company, Sid Challen.

Challen is widely regarded as having been the mastermind behind the company's resurrection over the past

four years. Established in 1884, Perpetual offers a wide range of skills which could be summed up as asset management.

It offers services such as estate planning and management, the preparation of wills, executorship and acting as trustees in a range of contexts.

The new board of directors is composed entirely of New Zealand residents and is headed by H W Huse. He is deputy chairman of AMP New Zealand and a member of the society's principal board.

Huse is retired from chief executive positions in the stock and station industry and is director of many public companies including Cable-Price Steel Ltd, National Electrical and Engineering Co Ltd, William Cable Ltd, Cable-Price Downer Ltd and Wrighttel (NZ) Ltd.

He is Chairman of McKenzies (NZ) Ltd and Gilbey's NZ Ltd.

Challen, said to have presented a good case to AMP

for the acquisition by the society of Perpetual, has also accepted an invitation to join the board.

Other directors are C J Keppel and Lord Elworthy, KG, both members of the society's New Zealand board; G E Bowles, the society's deputy NZ manager and E G Hambling, AMP New Zealand's investment manager.

Bowles described the move to acquire Perpetual as a "first" for the society. Not only is it the first move by AMP to take over an existing company, but it is the first entry by the society into the trustee business.

Perpetual's business is viewed by the society as being fully complementary to the range of financial services already offered by AMP.

Perpetual general manager Bruce Small said the acquisition of the company by AMP opens up the prospect of further development of Perpetual, something staff are happy about.

Perpetual has recently shown progress in another area.

The Nuhaka Farm Forestry Fund, floated by Perpetual in 1974, has shown improvement in its trading, after a fairly long period in limbo.

Reporting to the stock exchange recently, Perpetual said the fund managed a good improvement in gross revenue and a major reduction in farm development and expenses.

The scheme had run into problems in 1978, when it was found to have breached its trust deed.

Technically, the scheme was never constituted as the minimum subscription was not reached.

The scheme had traded for 18 months before this was discovered and looked to be viable.

The breach was therefore cured by the Act which guaranteed Perpetual's continuance as a Trustee company — the Trustee Companies Management Amendment Act 1978.

BMG

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GAME

IN ASSOCIATION WITH NATIONAL BUSINESS REVIEW

SEVERAL teams in the ICL Business Management Game, which were leading in the first round, have fallen to hold their second round, have failed to hold their lead and have lost the chance to go through to the regional final, third round.

Only five of the teams leading at the last report have made the next round, Dr Michael Jameson, the game's Administrator, reports.

Chortled accountancy teams have done well. All five of the South Island section games have been won by accountants, with three teams from one national firm (Barr Burgess Stewart) getting through.

None of last year's national finalists have got through to the final of the winners' round, earlier years, including 1975 Computer Service, the 1977 winners, and a Ministry of Works team from Turangi have again managed to get through to the third round, although with fairly narrow winning margins.

"Most games were very keenly fought", Dr Jameson said, "as shown by the number of upsets which occurred."

"The overall unresponsive economic climate meant that some ruthless price cutting was resorted to in some games in an effort to maintain sales volumes."

"In one South Island game in particular the competition was so fierce that all the teams were making losses for most of the game and the winner was the team which made the smallest total loss rather than the largest profit."

An Auckland Hospital Board team had the distinction of making the largest total profit of \$12,033,000 during the period while A. King & Associates of Lower Hutt hit the honour of achieving the most convincing win with a margin of nearly \$2.5 million over a team from the Manufacturing.

Dr Jameson commented that a number of teams lost their cost that under tight economic conditions a cost strong marketing effort is required, particularly where market is price sensitive.

"There are also penalties for over marketing where companies lose 'market image' through being unable to meet the orders they have generated."

"Many companies suffered in this way after making a convincing early start but, as in the real world, it takes while (in the BMG, 2 periods) before you can regain your reputation as a reliable supplier."

The 20 winners from Round 2, listed below, start Round 3 on October 12 with a new set of economic conditions and a chance of reaching the final and a prize of \$1000.

The four teams which make it through to the national final will also receive cheques for \$250 as regional finalists.

BMG ROUND TWO FINAL RESULTS

GAME WINNING TEAMS & RUNNERS UP ACCUMULATED PROFITS

Auckland Region

BA 5. Fletcher Brownhill

2. Beecham Research Labs

BB 3. IDAPS Computer Science (NZ) Ltd

1. E Andrews

BC 5. Felix Furnishing Group

4. MWD Auckland

BD 5. Dept. Accountancy & Management, Manukau Techn. Inst.

3. J & R Stevens Ltd

BE 3. General Foods Corp NZ Ltd (Ice Cream Div)

1. Richardson-Merrell Ltd

Auckland & Central North Island Region

BF 3. Auckland Hospital Board

2. UEB Industries Ltd, Napier

BU 4. Rangipo Syndicate, Turangi

3. Tasman Pulp & Paper Co Ltd, Team 3

BL 5. Central North Island Timber Company

3. J Wattle Canneries Ltd, Hastings

BJ 3. Treloar Enterprises, University of Waikato

2. Winstone Wellboards Ltd, Auckland

BK 1. MWD, Turangi

3. Puketahi Holdings, Putaruru

Wellington Region

BL 2. Ford Motor Co of NZ Ltd, Team 3, Lower Hutt

4. MWD, Head Office

BM 4. Mobil Oil NZ Ltd

5. Gini Syndicate

BN 5. Mansell Enterprises

4. Wellington Chartered Accountant

BP 3. A King & Associates, Lower Hutt

2. Shell Manufacturing NZ Ltd

BQ 1. B McCulloch & Associates, Wellington

3. George Stuart & Associates, Lower Hutt

Wellington & South Island Region

BR 5. National Chartered Accountant, Dunedin (Team 1)

3. State Insurance, Head Office, Wellington

BS 3. National Chartered Accountant, Christchurch (Team 1)

1. National Chartered Accountant, Wellington (Team 1)

BT 4. Christchurch Chartered Accountant

1. G L Bowron & Co Ltd, Christchurch

+BV 1. National Chartered Acc. Christchurch (Team 2)

2. National Chartered Acc. Christchurch (Team 2)

+BW 1. Christchurch Chartered Accountant

2. Home & McKenzie, Scargill

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Licensing review draws toward a conclusion

THE Government will be asked soon to make some difficult decisions in the field of transport licensing. But it seems that the options it will consider will not be as radical as either supporters or opponents of licensing might expect.

An official committee drawn from within the Transport Ministry has nearly finished a several-months-long comprehensive review of transport licensing. Its report will be with the Government in the next weeks.

Transport Minister Colin MacLachlan set up the review earlier this year as a "one-off" examination of a particular area of the transport system.

The semi-official Transport Advisory Council is conducting a wider review into which licensing is to be integrated.

But it's the how and when of any Government decision arising from the licensing review that concerns transport operators.

Carriers in particular fear they will be shafted yet again by a government they consider hostile to their industry.

Fears of de-licensing in the road transport industry were rife at the Road Transport Association's conference in Hastings. More extreme elements tipped an end of an orderly industry if the Government abandoned licensing.

The officials' examination of transport licensing neatly divides itself into consideration of two aspects: air operations; and the rail-road controversy.

It's in the air passenger road sphere that the least changes are likely. No other operator has the capacity to deliver the same kind and quality of passenger service as Air New Zealand.

Earlier consideration given to amending the Air Services Licensing Act to allow Air New Zealand to sub-lease par-

ticular routes came to naught.

A suitable aircraft delivering the same quality of service while allowing Air New Zealand to make some operational savings could not be found. And there were problems in building up the management and staff infrastructure within the third level airlines to the desired level so service to the public would not suffer.

The review committee may recommend the appropriate amendment, but the practical effect will be nil until the right aircraft comes along.

It may be a different story in the air freight area, both for domestic and overseas operations.

Air New Zealand has been under pressure here, — and not just from the Nationwide Air group. Allowing freer entry into the lucrative freight market would have some long-term effects on the company's operation.

The same applies on international routes, where local companies are eager to get a slice of the action along with the international airlines and the freight companies.

On the domestic side, the argument for less licensing is basically the same as for the carriage sector.

One complication for any consideration of road transport licensing must be the future relationship between road and rail transport. And it's here that the Government's TAC review still is incomplete — comes into the picture.

The road transport industry basically wants any action on licensing stalled until the modal relationships are hammered out. The question is whether the Government is prepared to wait that long, or whether it will make some changes anyway.

The most likely sort of recommendations to be put to the Government will involve some freeing up of licensing, while stopping short of de-licensing.

Competition in the market place will sort out who wins and loses, and the user by his support or otherwise of the operation will decide whether it is justified.

That will go some way to satisfying the calls for more competition, but stricter regulation of the way in which a business is conducted will still protect the public from uneconomic price cutting.

In short, the regulatory and the protectionist aspects will be separated.

In practice this means that it will be easier to get into the business by abolishing the requirement for any entrant to show the need for the service proposed.

Competition in the market place will sort out who wins and loses, and the user by his support or otherwise of the operation will decide whether it is justified.

That will go some way to satisfying the calls for more competition, but stricter regulation of the way in which a business is conducted will still protect the public from uneconomic price cutting.

Fewer restrictions on the license-holder to carry on a service — thereby allowing easier exit — will also weaken the argument for protection for existing operators.

It is doubtful that there will be any further moves to extend the 150 kilometre limit.

A loosening up of the system will encourage the existing trend towards aggregation of small road transport units, and will further encourage the development of larger transport units integrating several modes of transport and offering a wide choice of services to the user.

At the same time it will increase the dependency of the smaller road transport firms on the larger units for their business. This is especially true of the owner-driver operation with only one or two trucks.

But the Government's moves in the transport field owe as much to the desire to straighten out the economic relationships in the sector as to considerations of pure transport policy.

Therefore it should not be surprising to see moves which will encourage efficient allocation of resources carrying more weight with the Government than the difficulties of adjustment which may be caused to operators.



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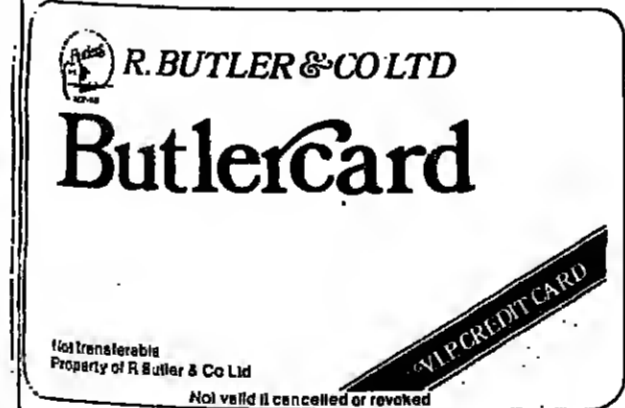
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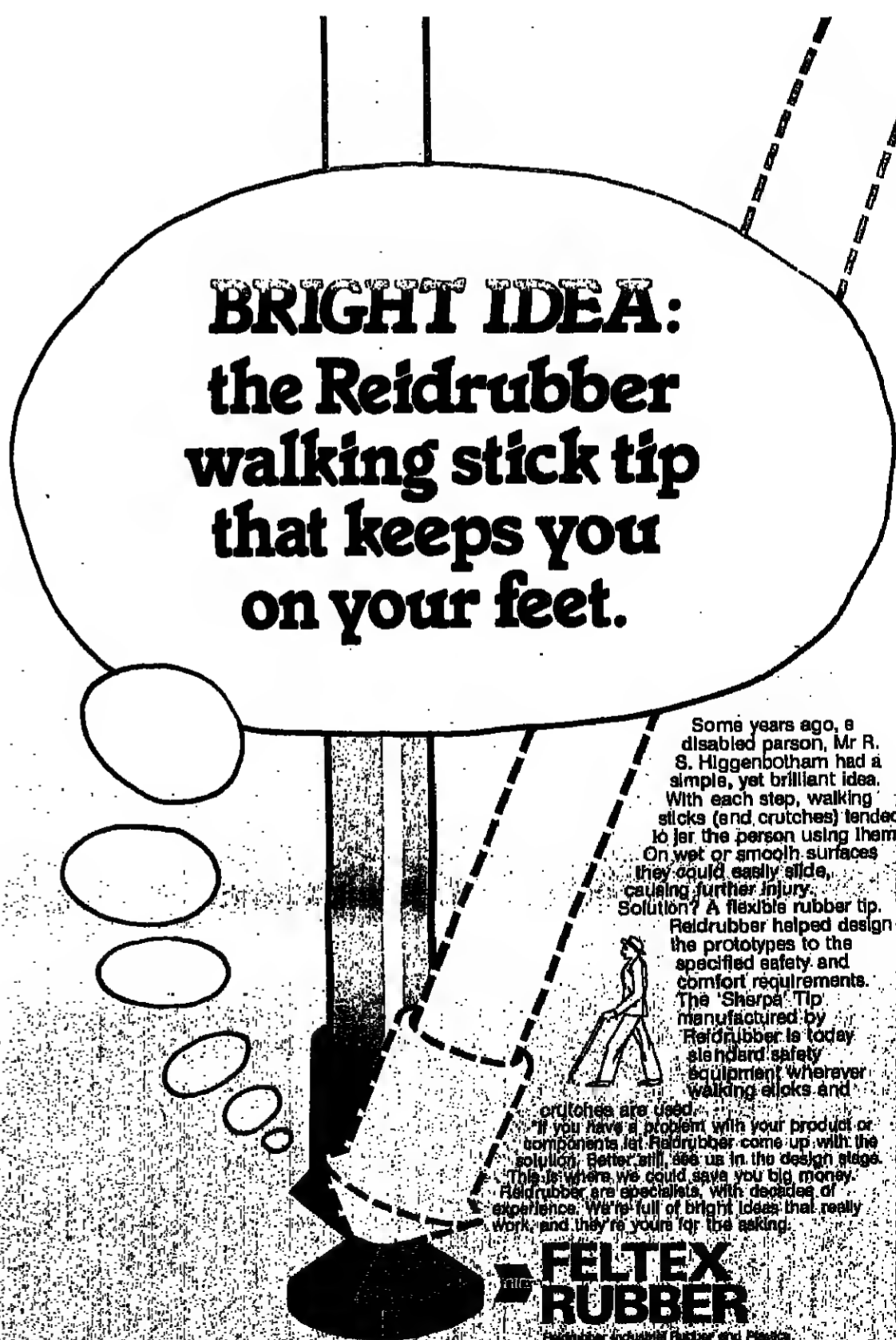
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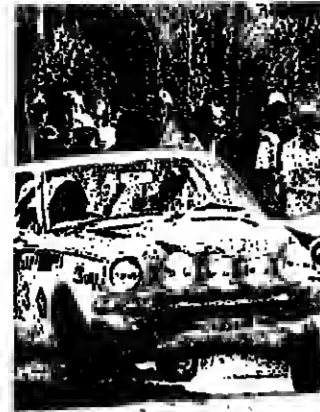
Rally demands media plan

THE Motorgard rally will be held in the South Island next year as part of the international series. The whole event will cover about 2000 kilometres and will be run over four days.

Behind that bald announcement is a story of year-round planning, organisation and communication. "As soon as the dust settles, the wrap-up stories written and the report and debriefing completed, you start all over again," Peter Young of Network PR consultancy told Admark.

Because of the international nature of the motor rally sport it is important to ensure that a constant flow of media reports go out to target audiences all over the world. Television, radio and press media in New Zealand are kept constantly updated as the planning unfolds.

In addition to the main sponsor, Motor Specialties, co-sponsors and car manufacturers have to be kept in the picture.



OLD SERIES... recycled pic

The activities of the full-time organiser produce a stream of news. His is the job of plotting the rally course and administering the rally, of promoting entries, of liaison with car clubs which provide so much support, enthusiasm and expertise.

Planning for the special television programme starts months in advance. With so much of the rally route taking place on tortuous forest roads,

camera placements have to be carefully planned and where shooting from helicopters is involved, camera angles must be precisely determined.

As the rally approaches, the pace grows feverish. A special rally publication is produced for sale at bookstalls. Media kits are built up, media accreditation arranged and passes issued.

Then comes the major press briefing before the rally starts. "Media day is a big occasion," said Young.

"Last year we had about a hundred newsmen present - a number of them senior international writers covering the world championship series. So the briefing has to be accurate and complete to the last detail.

During the rally itself, the PR man becomes communication headquarters, collecting and distributing media information, arranging press conferences, handling enquiries, fielding controversy and liaising with media in a motoring maelstrom.

"We believe that this kind of PR actively benefits everyone," said Young. "The news media have one central reference point and do not



ADMARK

spend time milling around. Trade contacts know where to look for publicity needs. The major sponsors have one communication point to deal with."

International rallying is a high-price sport with which to be associated but Motor Specialties feel that the establishment of the Motorgard brand locally within two years is a good return for money spent.

International rub-off is already assisting in building an export market for Motorgard products in Australia with South-east Asian developments in prospect.

Plugs hold no weight

THE management of this newspaper holds to an old-fashioned principle that if someone wants to use our columns to advertise a product, then they should buy advertising space and not ask us to run a free plug in our news columns.

That's why such a high proportion of items (usually headed "for immediate release") sent to this column by public relations consultants never sees the light of day - at least in NITL.

For instance, Alan Fenwick sent us a release the other day about a new adhesive, Superfix glue. As those TV addicts among you will know from watching commercials, it's a glue you use whenever you want to lift an elephant using a steel bolt which has been cut in two and rejoined with glue.

Frankly, we haven't seen an elephant round the office for many a moon and we view the idea of suspended elephants with even more apprehension

than the thought of cows. So, on full consideration, we're not going to put anything about elephant glue in this column.

But they did send us a complimentary sample of a product itself.

Facing the typewriter, this column, is a chair with creaked alarmingly under the weight of its contents. It creaked because the chair had become a little unsteady over the passage of time.

Seizing the moment, an opportunity to announce the downsides with the said glue, instantly avoiding the consequences of sitting, fingers or (by eye) legs, we found the deed was not done. A firm bond, but a squeak. Stability.

So we have demonstrated that although free publicity, an illusory means of promoting a product, sampling is a time-consuming and sure-fire method of inducing user trial.

We are similarly disappointed receiving any further such as slide film, spirituous liquors, or economical four-wheel automobiles.

New Zealand just a pawn in world trade game

Economics Correspondent

THE United States has announced plans to cut tariffs on many important New Zealand exports over the next few years. But although the tariff cuts should significantly improve the competitive position of a few particular products in the American market, the announcement was largely a public relations exercise.

New Zealand still faces significant agricultural protectionism on world markets, including the United States.

New international tariff codes were completed at the "Tokyo round" of trade negotiations in Geneva in April.

For more than five years, 88 countries have been making and playing the "Tokyo round" of multilateral trade negotiations. The object of the game is to lay the ground rules for international trade in the 1980s.

Meetings were held under the aegis of the General Agreement on Tariffs and Trade (GATT).

Originally, the Tokyo round of the Multilateral Trade Negotiations were formally scheduled to end by July 15 last year. But the formal conclusion of the "Tokyo round" was not until April this year.

And Brian Talboys, the Minister of Overseas Trade, was not able to table the White Paper on the GATT negotiations until last month. The participants are responsible for more than 90 per cent of world trade and include underdeveloped and Communist countries with the notable exceptions of the Soviet Union, China and East Germany.

New Zealand was not delighted with the outcome of the trade talks. When tabling the White Paper on the GATT negotiations, Talboys said, "the participants of the talks



THE ECONOMY

failed to come to grips with the major issues of agricultural trade policy, in particular restrictions on imports of dairy products and meat into the large industrial countries of the Northern Hemisphere."

This is because of the particular sensitivity of New Zealand's major trading partners, the European Economic Community (EEC), the United States, Japan and Canada to changes in the barriers of protection for their agricultural sectors.

And these are the negotiators with the most control over the outcome of the talks.

While unable to tear down major barriers blocking its

agricultural trade, New Zealand was able to negotiate a few worthwhile concessions.

Some significant gains included the right to export 8500 tonnes of cheese to the EEC, improved access to the United States for cheese and greater security of access and reduced tariffs on beef, lamb and wool entering the United States.

Some of the U.S. tariff cuts of particular interest to New Zealand include:

- Lamb meat, from 2.8 per cent to 0.8 per cent;
- Milk, from 5.8 per cent to 4.6 per cent;
- Cheddar cheese, from 15.0 per cent to 12.0 per cent;
- Caseln, from 2.2 per cent to 0.4 per cent;
- Wool, from 8.4 per cent to 2.5 per cent;
- Butter and cream, from 8.3 per cent to 7.4 per cent.

In addition, New Zealand exporters benefited from the general lowering of tariffs on manufactured products by the nation's interest rather than the interests of powerful countries.

In return, New Zealand undertook not to increase tariffs from the rates established as at July 1, 1978, on a range of items in the non-protective area, such as raw materials, components and capital goods not made in New Zealand.

Also, New Zealand agreed to reduce tariffs on a small range of products.

Finally, New Zealand agreed in principle to increase access to its markets where import licensing restrictions are in force.

When the GATT white paper was tabled in Parliament, Joe Welding, Labour's spokesman on Overseas Trade, called on the Government to seriously consider withdrawing from GATT.

In Welding's view: "GATT seems to be of tremendous benefit to major industrial nations, but agricultural countries like New Zealand scarcely benefit at all."

If New Zealand was not confined by the GATT agreement, exporters would have more flexibility in trade deals. According to Welding, exporters could trade in the nation's interest rather than the interests of powerful countries.

Talboys admitted that the outcome of the Tokyo round of GATT had been disappointing. But although there was no significant breakdown in agricultural protectionism, he felt New Zealand did gain very

worthwhile concessions overall.

Further, Talboys said it was better for a small country like New Zealand to stay within GATT than to try to go it alone in trading matters. If we had not been in GATT, New Zealand would not have achieved any concessions.

One of the problems is that most of our major trading partners are the chief negotiators of GATT. That only two trading partners not complying under the agreement are Russia and China.

And there is no telling what might happen in the future. Trade patterns do change and those with political control vary with each national election.

According to a recent speech by John Nott, British Secretary of State for Trade, if he had been party to the Tokyo round negotiations, "the EEC would have made greater concessions, not only to New Zealand, but also to Australia and the United States."

But as he told the Wellington Chamber of Commerce and the British Trade Association at a luncheon held in Wellington, "the key discussions took place before

my party (the Thatcher Government) was elected - and I had no influence on the outcome at the critical time."

Still, it is nice to be able to have the excuse of not being able to be involved in negotiations after the fact.

When faced with the problems of EEC farmers, it is unlikely that Nott would have pleaded as strongly in New Zealand's favour as he implied.

Problems associated with the energy crisis and rampant inflation during the 1970s have contributed to balance of payment deficits and growing unemployment in those countries playing a major negotiating role in GATT. This is hardly a propitious environment for liberalising trade.

No wonder the negotiations failed to grapple with the basic problems of agricultural protectionism and access. Major trading nations were in no mood to make concessions even if they were sympathetic to New Zealand's case.

But it is questionable whether world economic conditions will ever be propitious to achieve GATT's idealistic objectives.

A BACKWARD GLANCE

An occasional series by
Grev Wiggs

BEFORE the advertising business became the researched, responsible and respectable business it now is, there was unlimited scope for the outlandish personality. The industry seemed to abound in characters. I worked with a few of them and there were others whose exploits, real or apocryphal, filtered through on the coconut wireless.

But some of the industry's real personalities were at the top and at the very summit was Frank Goldberg. The story is told that he left a London draper's counter to emigrate to this country on the grounds of health.

When he entered the fringe of advertising he would act as messenger boy to retail stores in order to be seen delivering copy to newspaper advertising departments.

Eventually he made it with his own agency.

The secret of his success was no secret at all. He was one of the finest salesmen of all time. Irrepressible, contagiously enthusiastic, convincing.

If he could have retained all the clients he secured there would have been only one major agency. But clients came and went like books in a circulating library. So did staff.

The list of Goldberg old boys contained the names of some of the country's best advertising men. Administration and even advertising seemed to have little intrinsic interest for Goldberg. He was a hunter, not a collector.

Having built a large operation in New Zealand, he departed to Australia and repeated the performance - a virtuoso one for a London cockney.

His frequent journeys by ship across the Tasman were always dutifully chronicled by an obliging press and the hundredth trip drew big headlines, even if the mathematics may have been shaky.

On one occasion he arrived in New Zealand on the eve of an election and coolly lifted the National party advertising campaign straight out of the hands of the incumbent agencies. As a result of a post-election indiscretion, Goldberg became offside with the trade union movement and found every hotel was effectively barred to him. But nobody could put Frank Goldberg down for long.

Sinclair Carruthers of Carlton Studios with his found Carlton-Carruthers was a swashbuckling commercial adventurer who the impression that he had no man nor the devil - at least of all the NPA which an awe-inspiring body of days.

He had a strong personality that I can summon to mind's eye: brought to advertising a uncluttered look that his company's traders. Advertising badly can innovators of that time.

The chief at Charles H. until he retired in the 1930's was Will Appleton. He was only a shadowy figure. But he must have been considerable person because he later presided Wellington's mayor for considerable period and awarded a knighthood.

Our other Wellington advertising knight was of course Sir John Dill.

A deeper, sports-loving, civic-minded globe-trotter, "Bert" Dill, as he was known before his knighthood, was perhaps a businessman before he was an advertising man. But in the course of a working life he became part of the image of New Zealand advertising.

I well remember my first meeting with him. I had recently joined Dill's office in a client's office and was ushered in. In my each other blink.

The bewildered client asked, "Haven't you ever met me before?" and proceeded to introduce us. Of course I hadn't met him. Long newcomers didn't get to know proprietors in those days.



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For Corporate Advice

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Rykenberg Photography

NAME: R. BROWN

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TRUSTEE SAVINGS BANK

NAME: [Name]

ACCOUNT: [Account]

DATE: 25 APR

CM CENTRAL MALL DISCOUNT CARD

SIGNATURE: [Signature]

TUROA SEASON PASS

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PORT KEMBLA DISTRICT HOSPITAL

NAME: P FORBESE

CLASSIFICATION: SURGEON

DEPARTMENT: SURGERY

EMPLOYMENT NO: 12345

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be punch-coded. We have a card which can be encoded to act like a key. We have a new card combining a magnetic stripe with a portrait and an embossed name and number. But you don't have to worry about choosing the right card. We have specialists who can analyse your security problem and come up with the right answer for your special needs.

One thing you can be sure of: whatever card you choose, you'll know it is the most

secure ID card you can use. For more details on these cards and a demonstration of the ID3 system, write to Polaroid New Zealand Limited, P.O. Box 37-046, Auckland, or telephone Pat. Komorowski collect on Auckland 771-682.

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Further particulars are available from Professor G. Mueller-Hermann, Head of the Department of Marketing or from the undersigned, P.O. Box 55, Dunedin.

Applications quoting reference number A/79/55 close on 31 October 1979 with the undersigned.

D. W. Givern Registrar

Wise use of resources

YOUR recent upplantment on energy made me think. It's these conservationists, that can delay a project for several years, they are what a holding the country back.

If it wasn't for them, we'd be bounding ahead, squandering our energy needlessly, or giving it away to overseas interests. I sleep easier at night now, knowing we're flaring gas at Oanui, spilling water in our hydro-system, mothballing power stations we don't need, and searching for gas we would be embarrassed to find.

Conservation technology wasn't even mentioned in your

supplement (except for a neat ad from a solar water heater supplier).

What is conservation, anyhow? It's been called the wise use of resource. Discussion of wise use of our energy resource is something that appears notably lacking from both your energy supplement — and from the government's current policy. The more the pity for those who really do want a better standard of living.

H Barry Wellington

Pipe rights corrected

WE presume "Plumbers win pipe rights" (NBR September



5) was written up by Mr Isaacs from a news media release put out by our Public Relations Consultants, Eric White & Associates.

Unfortunately, the article bears little resemblance to our official news releases and,

indeed, in the transcription it has resulted in a very misleading and inaccurate statement. Your article states that "Plumbers Limited has acquired the Pacific Basin manufacturing rights for Shell Chemicals Polybutylene Plumbing Pipe". This is definitely not correct — the true position is that Plumbers Limited has acquired the Pacific Basin rights for the Qest hot and cold water pipe system. Polybutylene plastic resins are used to produce the pipe for this system, but the exclusive rights apply only to the method of joining the pipe and connecting to fittings. This is clearly indicated in our original release. Your inaccurate release has led to complaints from a number of other manufacturers and,

particularly, the polybutylene material suppliers, Shell Chemicals New Zealand Limited.

Your release is throwing considerable doubts on the integrity of our company and seriously affecting our relationship with other manufacturers and suppliers.

K T Baker, General Manager, Plumbers Limited, Wellington

Bottles see the light

MR Duncon points out that cartons and plastic containers allow milk to deteriorate under the illumination of shops. Does he feel that glass bottles either

in shops or at the outdoor household delivery point protect milk better? He states that there is a gross income variance between vendors of \$2000 of annual operating profit of milk vendors. One vendor who a vendor would need to arrive in the top rank. Finally, why does the consumer should not have the opportunity of putting out a milk can to the market? No one suggests that the milk vendors would be willing to sell them. He believes the consumer would opt for buying such milk from shops. If he does, what is his logic in preventing the consumer from doing this? That he buys more milk than he needs from the present system?

RA Smith, Christchurch

Union joins National?

IT appears from your September 5 issue that elements of the trade union movement are picking up ideas rejected by the more rapacious and the sighted members of the National Party.

Colin James writes: "It is an advocates conference held before it a paper on industry including the possibility of indexing net after tax wages which would leave the Government the responsibility for determining gross rates through manipulation of income tax rates."

At the Auckland District Conference of the National Party in May, the following motion was rejected: "For employers be permitted to certain circumstances to employ labour at a cost award wages less PAYE."

Although the proposals worded differently, their effect is almost identical. It would be interesting to know if the similarity is coincidental, or whether the advocates conference had before it a paper emanating from disaffected National Party members.

CTH, Papakura

Tait receives support

WHEN names of the next governor-general are discussed, that of Admiral Sir Gordon Tait, the Second Sea Lord, comes to mind. Admiral Tait is a distinguished New Zealander of charm, wit, ability and progressive social ideas. With his knowledge of the world outside New Zealand, he would be in the position to tell his countrymen what they need to know at this stage of their political development.

In the search for new orientations, it seems important that whoever is the Queen's representative in New Zealand should be widely travelled and a diplomat with a grasp of international protocol.

Ned Hamilton, Christchurch

Broadbank

For Commercial Bills

Tues & Wed 6, 7 November morning & afternoon please telephone Doug Ruhen Auckland 33-286

Tues & Wed 30, 31 October morning & afternoon please telephone Peter Gallagher or Phil Scott Wellington 728-996

Contradictions appear in insurance trends

Melbourne Correspondent

ACCORDING to one of Australia's largest insurance brokers, Stenhouse Read Shaw, two apparently contradictory trends have appeared recently in Australian insurance.

While several insurers continue to deplore the currently depressed level of premium rates, and predict dire consequences if they remain low, other insurers have increased the strength of their representation in the market and expanded their activities.

As a result, the capacity of the Australian insurance market to accept risks continues to expand significantly, but even further premium reductions will occur as un-

derwriters vie for the limited business available.

Expansion of the Australian market's capacity has occurred in a number of ways. Two large European insurers, Allianz-Insurance and Preservatrice-Insurance, have greatly increased their participation in the Australian market in recent months.

Stenhouse says, that the powerful backing provided by these companies has given a sharp boost to the capacity of the insurance companies used as the vehicles for their interests.

Secondly, reinsurance has become more competitive and more freely available in Australia. This is partly because of the entry of large and financially strong over-

seas reinsurers, who have previously not operated in the Australian market as facultative reinsurers. The resulting lower rates in the reinsurance market have allowed direct underwriters to shave their rates even further.

The increased activity of foreign companies in what is a highly competitive market has not passed unchallenged. The Insurance Council of Australia has called upon the Federal Government to encourage the insurance of Australian risks in the home market.

The ICA has urged the Government to remove tax deductibility of premiums for Australian risks insured outside Australia, thus providing a direct incentive to insure such risks with local insurers.

The purpose of the proposed change in legislation is to

ensure that unnecessary appropriations are not made from Australia's international reserves and that the Australian insurance business is given the opportunity for growth in the home market.

The Australian Insurance Association also called on the Federal Government to limit the amount of insurance placed overseas. They have asked the Government to implement legislation preventing insurance being placed overseas without it first being offered to companies within Australia.

Further, it seeks to make it illegal to do business with an insurer not authorised by Australian Insurance legislation, unless granted a specific exemption by the Australian Treasurer. The association, representing a number of companies which

arc at least 70 per cent Australian owned, aims to preserve the local insurance market for insurers registered under the Federal Insurance Act.

No foreign based company now registered under the Act would be affected, but it would tend to restrict further foreign control of the Australian market.

The association has declared its opposition to any increase in the solvency margins of insurance companies, on the grounds that any such proposal will favour the larger overseas insurers at the expense of its members.

It argues that the smaller Australian companies will have difficulty increasing their solvency margins, and opposes such changes unless some restrictions are placed on increased foreign ownership

by the Foreign Investment Review Board.

Among the more radical proposals presented by the association to the federal Government is the recommendation that premium rates be fixed by insurers themselves. Some years ago, the implementation of the Australian Trade Practices Act put an end to rate-fixing.

Unfortunately, insurers found themselves faced with free market competition at a time of economic recession, and the resulting low rates have progressively squeezed underwriter profits ever since.

As the diminishing flow of premiums affords less and less scope for obtaining investment earnings, Australian insurers are seeking both relief from proportionately very heavy taxes and a measure of Government protection from foreign competition.

Bland Payne Fenwick Limited has become Marsh & McLennan Fenwick Limited.

We're overjoyed.

No business is immune to change and Insurance Brokers are no exception.

For us, the winds of change are blowing warm, not cool.

From the First of October, our entire Group will be known as Marsh & McLennan Fenwick Limited and the name of Bland Payne Fenwick will become a pleasant memory in many a company's filing system.

This change has come about as a result of Marsh & McLennan acquiring a greater shareholding in our Group.

So Marsh & McLennan Fenwick Limited we are.

If you are wondering how a solid, well respected New Zealand Broker suddenly felt about becoming part of the world's largest Broking Group, we beat you to it.

We see this new change as having exciting possibilities, and far from feeling overshadowed, we're overjoyed.

You see, the Marsh & McLennan Group handled premiums in excess of nine billion dollars last year. Their earnings exceed 600 million dollars. They have 180 offices in 62 countries. And they employ 19,000 people.

Clearly they know their business.

More still, it's going to mean that our Clients in New Zealand will have even greater access to the latest developments in international insurance and we'll show them how these will apply to their businesses in particular.

As part of this Group, our international buying power will be increased, as will our resources to plan on a broader scale.

In New Zealand, there'll be no changes to names on doors. Bob Fenwick is Managing Director. Kevin Heerdegen is responsible for the Auckland office, Jim Meikle for Wellington and Don Harrison looks after our Christchurch office.

Together with people you already know, they'll continue to offer the same kind of service to Clients that made Bland Payne Fenwick such a respected name in Insurance Broking.

Of our new name? We believe it will look as good in practice as it does on paper.

Marsh & McLennan Fenwick

Marsh & McLennan Fenwick Ltd
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Businessman's campaign ousts Labour Party

THE Australian Labour Party has lost control of the state parliament in South Australia largely through the efforts of commercial groups, which show how businessmen can hit back at a government they think is working against their interests.

South Australia's business establishment spent \$100,000 in the state election which ended a nine-year-old Labour Government and replaced it by the Liberals.

Significantly, national opinion polls have shown that Malcolm Fraser's federal Liberal-Country coalition has become increasingly unpopular and, if a federal election were held now, Labour would win.

Moreover, the Tasmanian premier recently called a snap election in which the Labour Party strengthened its grip on that state parliament.

It was in the post-budget mood of euphoria that South Australian premier Don Dunstan called a snap poll, thinking that the anti-Fraser mood in the country would increase his majority in the lower house and allow Labour to control the state upper house for the first time.

Corcoran's term had 18 months to run before he was required to go to the polls. But the business community was upset at Labour's planned industrial legislation and at the high level of unemployment.

South Australia has 8.2 per cent of workers unemployed, compared with a national average of 5.8 per cent. And

the state is stalling itself for more of the same when schools break up at the end of the year.

The business community, led by the Chamber of Commerce, master builders, printing employers, employers Federation and retailers, mounted a television and radio advertising thrust with the slogan: "Stop the Rot".

The campaign was prepared by Ogilvy and Mather, the multi-national advertising group, with the aim of backing Dr David Tonkin's Liberal Party.

The figures most embarrassing to the Government as shown in the 30-second television commercial demonstrated that after years of Labour management, South Australia was convincingly at the bottom of the Australian ladder in investment and in the mining industry.

South Australia attracted only 1.5 per cent of investment in mining over the last two years, against 53.1 per cent for Western Australia and 21.5 per cent for Queensland.

The state had just six per cent of new dwellings begun in the country.

Over the past five years employment in manufacturing dropped 17.2 per cent.

The state government had set its face against uranium mining and dithered over a \$400 million petrochemical project.

With Liberals now controlling the state house, the federal government has promised massive aid to help the South Australian economy.

The businessmen will obviously consider their \$100,000 well spent.



MR L. AUSTIN, FACTORY MANAGER, W. B. ESPIE LIMITED

"This outfit's so small I can't afford to be sick"

You've got 12 employees and a cleaning lady who comes in once a day to make sure you don't bury yourself alive under your own workload. If someone's laid up, you're in a fine mess.

Of course sometimes you can't plan these things. They just happen. But there is a way to plan some of it. And that's where Southern Cross comes in.

When either you or your staff need medical or surgical treatment you can decide the hospital, the surgeon and the time most suitable for you and your business — and Southern Cross pays most of the bill.

Size doesn't matter to Southern Cross. They're currently servicing over 4000 group schemes (including 90 of the top 100 New Zealand companies) — and no-one matches that experience.

They can design a scheme that covers you, your employees and their families, giving everyone V.I.P. treatment — even if it's only you and the cleaning lady. Your employees will see Southern Cross as a real bonus.

When it comes to medical care coverage, trust Southern Cross. Over half a million New Zealanders already do. Find out more about how Southern Cross can help you by phoning or writing to:

Southern Cross

Medical Care Society

P.O. Box 9583, Auckland. Phone 776-609.

SCM/18A

Health Department smokes peace pipe with tobacco industry

by Belinda Gillespie

SMOKERS ambidextrous — light up with the right and stub out with the left.

The Government gets \$140 million a year in tobacco revenue. And last year it spent around \$105,000 discouraging smoking, most of it on TV ads, some on printed material and funding the Government advisory committee on smoking and health.

Other anomalies exist. The New Zealand Government provided financial aid for the building of a hospital in Aple, and helped finance the new Rothmans-Western Samoan Government cigarette factory. Most bizarre of all is the "health tax" on cigarettes which goes into various community health projects, first imposed in the 1977 budget — the more the community smokes, the more it gets to spend on preventive health care.

The Health Department appears to have come to a gentlemanly agreement with the tobacco industry. Certain restrictions are accepted, but these fall short of seriously disrupting an industry of considerable economic importance.

Stricter controls on the advertising and promotion of cigarettes were announced by the Minister of Health in February — but they stopped short of banning companies from attaching their names to sporting or cultural events.

The warning on cigarette packets was changed from "Smoking may damage your health" to "Smoking can endanger your health". And advertising is supposed to be directed to existing smokers, and intended to effect a change of brand, not to create more

smokers or increase their rate of consumption.

Such restrictions are not feared by the cigarette companies — Phillip Lovett, chief executive of Phillip Morris said they had no effect in other countries, and were unlikely to have any effect in New Zealand.

They fell far short of measures suggested by Geoffrey Holland, a Christchurch surgeon and chairman of the committee on smoking and health.

He called for legislation, not negotiation, and wanted the warning on cigarettes to say "Smoking is the cause of cancer, bronchitis and heart disease".

This year, action on the no-smoking front has taken the form of verbal thrust and counter-thrust. The manufacturers produced a booklet claiming that there was no scientific proof that smoking is hazardous, and the Health Department issued an 18-page, point-by-point rebuttal of their assertions.

Cigarette advertising, the makers claimed, merely created brand awareness and brand loyalty, and does not encourage young people to smoke.

The Health Department argued that the industry continued to bombard the public with "misleading advertising associating glamorous themes... with cigarette smoking", and suggested that if the industry was really interested in maintaining brand loyalty they should use testimonials.

"For instance, show a person who has been smoking the same brand of cigarettes for the past 50 years (if they are still alive)." The council did not favour tying it

The Tobacco Manufacturers have entered the fray again with a lengthy response to the comments on smoking in the New Zealand Planning Council's report, "The Welfare State: Social Policy in the 1980's".

The Planning Council claims it is concerned with clarifying important issues and inviting interested groups to debate them but, according to Sir Frank Holmes, wants to "avoid the assumption that we somehow claim the expertise to resolve specific points".

He called for legislation, not negotiation, and wanted the warning on cigarettes to say "Smoking is the cause of cancer, bronchitis and heart disease".

The council said in its report that the consequences of tobacco consumption are too well-known to need documentation — and that the consumption of tobacco imposes costs on society "well in excess of the price paid by the individual consumer".

It called, therefore, for those who take the risk to foot the bill, and pointed out that tobacco had become cheaper in relation to the price of other commodities.

It recommended a 25 per cent sales tax on tobacco (a 15 per cent tax was imposed in the June Budget soon after); that movements in a tobacco tax be excluded from other price movements in determining wages; and finally recommended making the advertising and other forms of promotion of tobacco non-tax deductible.

Although admitting the likelihood that the Government would want to use some of the extra revenue to pay for the consequences of tobacco consumption, the council did not favour tying it

directly to health expenditure, like former Health Minister Frank Gill's "health tax", "as this would lead to a conflict between the objectives of maintaining the source of revenue and of reducing the consumption of... tobacco".

The manufacturers have criticised the Planning Council for failure to quantify the alleged social costs of tobacco, though pointing out "they do not hesitate to quantify an additional penal tax".

They contend that the present level of taxation is punitive and discriminatory, and that further disincentives for advertising tobacco would be futile.

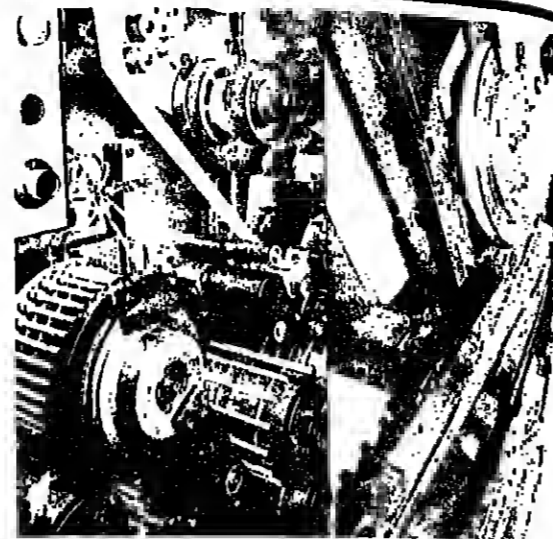
They would not discourage smoking, but would "reduce consumers' ability to make an informed choice of product features such as price, tar levels, or type of blend".

To compensate sporting and cultural bodies who would suffer financially from its suggestion that tobacco promotion should be made non-tax-deductible, the council suggested that the Government should increase its grants to such bodies. But the manufacturers "believe it is for the sporting, cultural and community groups to freely choose for themselves whether they accept tobacco company assistance".

Kelth Hancox, executive director of the New Zealand Sports Foundation (and former Planning Council information officer), has joined in the lobbying with a letter in defence of financial sponsorship of sporting bodies, sent to the Planning Council and a number of members of the Government.

Still mulling over its reply to these groups, Sir Frank Holmes has said the council hopes for "constructive alternatives to the suggestions we have put forward in order to underline the frail logic of deploring the social consequences, while at the same time seeking the fruits of promotion of these particular commodities".

Having already issued a publication on "Smoking and Health" this year, the tobacco lobby does not dwell on the health consequences of smoking in its reply to the council.



from exaggerated, and as have been underestimated. It challenges the tobacco interests' persistence in labelling this link "not statistical", as all evidence regarding the cause of disease is "to some extent based on statistical methods and the science of epidemiology is perfectly valid way of establishing causes of disease".

The tobacco manufacturers have a vested interest in minimising the health consequences of smoking, says Holland, but World Health Organisation and the health authorities in all countries have agreed that smoking is the major preventable cause of disease and mortality in developed countries.

Although there is a bit of New Zealand statistics to quantify the costs of smoking in answer to the manufacturers' challenge, Holland refers to relevant British statistics.

The number of workers employed in the tobacco industry in Britain is 36,000, whereas every year 36,000 die from diseases specifically to smoking. Related diseases is at 50,000.

A letter from Geoffrey Holland to the Planning Council, however, says that the generally accepted relationship between smoking and a number of diseases is far

Cigarette giants grow: tobacco growers choke

by Belinda Gillespie

THREE of the "big seven" tobacco companies operate in New Zealand — Rothmans, Phillip Morris, and British American Tobacco, which owns W D and H O Wills.

The three account for virtually all the tobacco products sold in New Zealand each year, at an estimated total retail value of \$260 million.

Shares in the highly competitive cigarette market are a close secret, but it is believed that Auckland-based Rothmans has about 70 per cent, Wellington's Phillip Morris 9 per cent, and Wills with its head office in Auckland and factory at Pease, 22 per cent.

Rothmans Industries Ltd — the single public company of the three — has done well over the last three years, with 1979 a particularly good year. With a 28.5 per cent boost in unadjusted tax-paid profit to \$5,552,000 in the year to June 30, the company made a one-for-ten bonus share issue and increased its dividend to 9.75c (1978 7.5c).

Rothmans has other interests besides tobacco products.

It owns 79.9 per cent of Corbass Wines Ltd, and earlier this year made a takeover bid for Cooks Wines to strengthen both companies' interests through shared facilities and lower unit costs. In what Rothmans saw to be a levelling of its growth of the wine industry.

Other interests include foil and paper products, data processing, umbrellas, and property development.

Recent competition among the cigarette manufacturers has been fierce.

After a "price war" which began in October 1977 when Wills introduced its first new low-cost brand, there was a proliferation of lower priced cigarettes and 25s packs in the market.

Thirteen new brands were introduced by the tobacco industry in 1977-79 and quickly accounted for nearly 25 per cent of the total market.

Kenneth Butler, chairman of the Rothmans board of directors, pointed out that the high value of capital equipment used by the tobacco industry made it acutely

sensitive to sales fluctuations. "In times of intense competition maintenance of volume sales in new as well as existing segments of the market is a first consideration," he said.

Rothmans had more than maintained its position in the new field, "and is the clear leader in the 55s pack business and the low tar section of the market".

Rothmans produces the three largest selling cigarettes — Pall Mall filter, Rothmans King Size filter, and Winfield Virginia.

Tobacco manufacturers claim that there is not enough recognition of the important role their product plays in New Zealand's economy.

It provides 14,000 retailers of tobacco products with a gross annual income of \$25 million in sales margins.

Independent, "corner-store" type outlets count on tobacco for an average 17.9 per cent of their total store turnover.

Eighty wholesalers get \$11 million gross per year in sales margins on tobacco products.

Motuka tobacco-growers produce an annual crop of around 3.5 million kg, with a 1979 value of \$13.5 million. There are 257 Motuka families who rely directly on tobacco growing for their income, to whom can be added suppliers of supporting goods and services.

The tobacco companies employ 1400 permanent staff who earn a total of \$12 million a year.

There are seasonal workers in Motuka, and thousands involved, directly and indirectly, in the distribution of the finished product.

Other industries — transport, printing, packaging manufacture, advertising and engineering — get varying proportions of their income from the tobacco manufacturing industry.

But the biggest beneficiary is the Government, whose total revenue from taxes and duties on tobacco products is an estimated \$140 million a year — to which can be added corporate taxes, personal income taxes, import duties and local authority rates generated indirectly by the tobacco industry.

In 1979, New Zealanders' consumption of cigarettes dropped slightly, from 9345 million in 1977, to 8329 million last year.

But overall in the last decade, cigarette smoking increased steadily, from 4849 million in 1968.

Despite their success in selling more cigarettes, the three manufacturers have not benefited New Zealand's tobacco growing industry, which has remained static in terms of production, and declined in numbers of growers, from 523 in 1969, to 257 at present.

There are three manufacturers' and three growers' representatives on the Tobacco Board. Their job is to "encourage, foster and develop the growing, preparation and marketing of New Zealand tobacco".

But from a peak in 1964, the percentage of domestic leaf used by the industry has fallen, from 59.6 per cent in 1969, to 41.6 per cent in 1978, though it rose again to 44.7 per cent for

the year to June 30, 1979. But more tobacco is being imported — 4.3 million kg in 1979, nearly 1 million kg more than in 1969.

The Tobacco Board says it is "very concerned" about the declining percentage of New Zealand tobacco in use, and is developing "certain proposals" to stimulate use of the domestic product.

Seasonal tobacco work appears to have little appeal even in a period of low employment.

Some of the seasonal workers who benefit from the tobacco industry are from outside New Zealand — 200

Fijian men were brought in to help harvest the crop last year, as part of an ongoing scheme with the Fijian Government.

The Tobacco Board said of the 1979 season: "It is somewhat ironic that when the demand for additional labour to assist with the work involved in the grading of tobacco leaf was greatest, and when the number of registered unemployed in the Nelson

province was about 400, suitable and willing labour could not be found for the jobs available."

The industry is in such a state that Lence Adams-Schneider suggested to growers that they might be better off turning to kiwifruit.

Two good crops in successive years have resulted in over-production to the tune of nearly half a million kg more than the tobacco manufacturers want.

The Tobacco Board has been unable to find either domestic or export markets for the over-quota leaf.

New Zealand manufacturers have refused to accept it, even at a reduced price.

The excess leaf is to be taken into account in determining the quota grown next season, which will be reduced to 2.4 million kg from the 2.9 kg ordered by the manufacturers.

In the meantime, tax concessions, though no actual payment, have been arranged on the excess leaf.

Adams-Schneider found "some pluses and some minuses" in viewing the prospects of tobacco growers in New Zealand.

The demand for tobacco is down, and could fall further if the health hazards are heeded. To balance recent trade concessions which New Zealand had obtained from the United States, the Minister pointed out, the country had had to reduce tariffs on higher priced tobacco imported from the United States.

As he put it, the move would put more pressure on growers to be efficient.

On the plus side, costs, especially fuel, are up in other countries, and New Zealand growers have scope to cut their own costs, by using indigenous fuels for example, and thus becoming more competitive.

But to increase shares of the available quota of tobacco leaf and enable units to operate more economically, Adams-Schneider suggested that some growers should move out of tobacco altogether.

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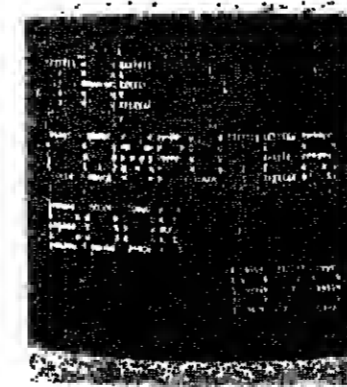
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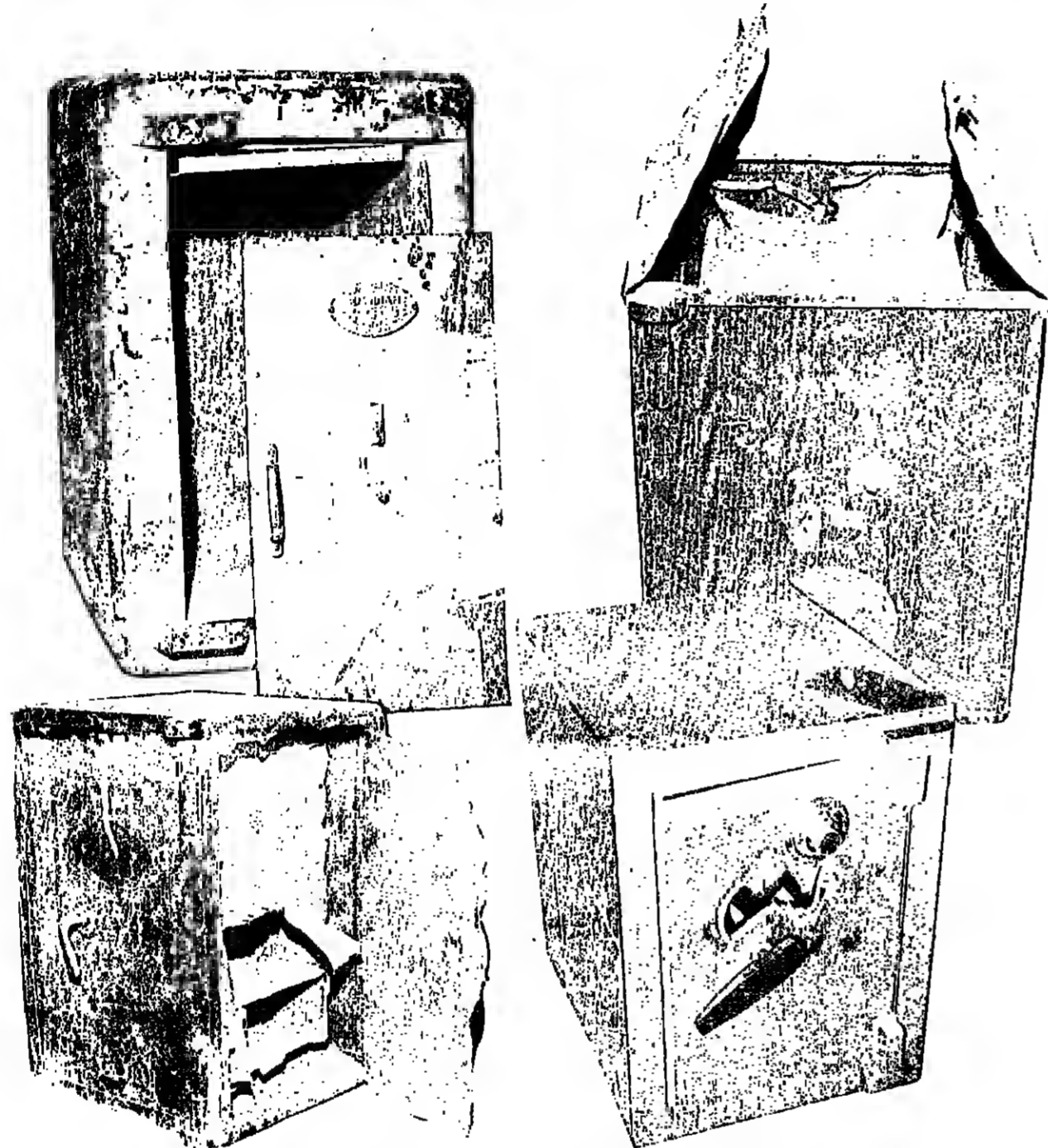


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Those little white tubes mean big business

SEVEN companies control most of the world's cigarette manufacturing, accounting for about nine-tenths of oil processed tobacco.

They are the British American Tobacco, the Imperial Group, Philip Morris, R. J. Reynolds, Gulf and Western, the Rupert, Rembrandt and Rothmans Group, and American Brands.

Their direct operations account for about 38 per cent of the total world cigarette output. Private companies hold 11 per cent of the balance, State tobacco monopolies in developed countries 17 per cent and State tobacco corporations in Eastern European Communist countries the remaining 33 per cent.

But because of their increasing involvement in licensing, selling and co-production with these other companies, including the

State-controlled ones, their influence is considerably greater than their market share.

As well, the multinationals spend \$1.8 billion on advertising each year, and around \$40 million to launch just one new brand of cigarette.

The developing countries, which supply 55 per cent of world leaf tobacco, are seeking a more active role in the world tobacco industry.

A United Nations report, accuses the world tobacco industry of large-scale bribery, price collusion and deliberate concealment of financial information.

The report says that "a comprehensive, equitable and dynamic marketing and distribution framework" is needed, to allow them greater control in the industry — but it fails to spell out how this can be achieved.



Aid finance helps build cigarette factory

ROTHMANS Tobacco Company Ltd. Western Samoa, is manufacturing cigarettes in Apia to a venture partly financed with \$274,000 New Zealand's bilateral aid programme and the Pacific Islands Industrial Development Scheme.

The project was launched in April in spite of strong criticism here and in Samoa that planners had failed to take health factors into account.

Rothmans builds 51 per cent of the shares in the Samoan factory, the Samoan Government 40 per cent, and the remaining 9 per cent is held by other countries in the region.

Employing 42 people and producing 10 million cigarettes a month, the factory is expected to save Western Samoa \$150,000 a year in foreign exchange.

Trade and Industry Minister Lance Adams-Schneider, denied that health considerations had been overlooked in giving aid to the Rothmans factory.

But they were outweighed, in the view of the Samoan Government, by the benefits in foreign exchange savings and the creation of more jobs.

Rothmans' venture in Samoa uses no locally grown tobacco, though investigations into its use have been promised.

The cigarettes produced there have "bleeding in New Zealand" on the pack, not

"Made in Samoa", apparently because a local label would adversely affect sales.

The company produced its pack bearing a health warning in English only, in spite of a request by the Director of Health, Dr Solla Taponi, for a warning in both Samoan and English.

The latest World Health Organisation recommendations on smoking include advice directed specifically to developing countries, such as Samoa.

"No country should allow a tobacco-growing or manufacturing industry to be developed: Where such an industry exists, priority should be given to the development of substitute crops, with international co-operation," says WHO.

His view is that the tobacco industry presents an insurmountable barrier to smoking control.

"No worthwhile progress can be achieved unless governments are prepared to put the interests of public health before those of private tobacco enterprise, and to secure appropriate action by state-owned industry. The international tobacco industry's irresponsible behaviour and its massive advertising and promotional campaigns are, in the opinion of the Committee, direct causes of a substantial number of unnecessary deaths."

Page 6 has the answer for the business traveller

Town users weaned off gas

by John Peet and John Draper

SOUTH Island town gas users are to be told go electric.

Already the Government is discussing the future of more than \$1 million a year paid in subsidies to the three town gas suppliers in Christchurch, Dunedin and Invercargill.

The Government has decided that there is nothing to be gained by subsidising supplies of liquid petroleum gas for the gas producers to convert for reticulation through their existing pipelines.

And studies prepared by the Ministry of Energy show that there will be no hardship resulting from turning off the gas and taping and switching on electricity by domestic consumers.

In response to a question in Parliament from Papanui's Mike Moore, recently, Energy Undersecretary Barry Brill said the future of the Christchurch Gas and Coke Company Ltd was a decision entirely for the company.

The company is the largest of the three South Island suppliers with 6000 customers. Its plant is old, dating from

1910 and near the end of its productive life described as "a cranking dinosaur of a place that should be taken to a technological museum".

To cope with peak winter demands the company operates a modern naphtha based plant.

But soaring oil prices are making its use uneconomic. The energy supplied by the company and the City Councils in Dunedin and Invercargill is small relative to that from electricity, coal or oil. In oil cases the market comprises a small number of reasonably large customers and a larger number of small consumers mainly for domestic and commercial cooking.

The current tariffs make it only economic for commercial users to burn gas because of the relative high price of electricity. But the Government's intention to cut South Island electricity tariffs by 25 per cent to industrial users may change that.

A few consumers, like Crown Crystal Glass at Christchurch need gas because of its special properties. But Crown Crystal already supplies half its own needs and given time could

become self-sufficient.

The town gas industry has been hoping for LPG to be made available as a feedstock at a price that would enable it to stay in business charging the current tariffs. But the Government has decided against this option.

The price the three works could afford to pay for LPG is very low.

There seems no reason why the gas undertakings should not undertake the supply of LPG. What they would lose would be their monopoly over supply.

As yet it is unclear what assistance the Government will be offering consumers by way of subsidies or grants to switch from town gas to bottled LPG or electricity.

For the large consumer, there is a choice of options available. Virtually any existing gas-fired burner, system can easily be converted to use LPG.

For many customers (eg Christchurch Women's Hospital) a new boiler house, burning coal, may be the best option in the long term, and this might be a good way of providing an outlet for part of the large quantities of coal likely to be displaced from the

market, when the coal carbonisation plants are shut down.

In Christchurch the Gas Company uses 50,000-60,000 tonnes of coal per year. Where this option is not available (for example, Princess Margaret Hospital where air pollution from a coal-fired plant would cause problems in nearby Cashmore) a gas-fired boiler could probably be converted to oil or electricity; although undesirable in general, this is a viable option for the very few plants involved, apart from direct LPG supply.

It is the hospitals, Princess Margaret and Christchurch Women's, the gas companies two base load customers, which are likely to be the main problem and expense in a changeover.

The Government is considering the plan of a consortium to market LPG from Manu not only in the North Island but by sea going tanker to the South Island.

The Christchurch Gas Co has already taken the precaution of writing off all its assets except land by 1981. And the six hectares its plant occupies off Moorhouse is prime industrial land.

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PREVIOUS ADDRESS

HOW LONG AT ADDRESS

NAME OF COMPANY OR EMPLOYER OCCUPATION LENGTH OF SERVICE

PREVIOUS EMPLOYER OCCUPATION LENGTH OF SERVICE

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TABLE 1:
THE GOVERNMENT AS A FINANCIAL INSTITUTION
Advances and Share Purchases, \$ million

| March years: | Development Finance | Housing | Rural Banking and Finance | Total |
|--------------|---------------------|---------|---------------------------|-------|
| 1973 | 1 | 85.0 | 1 | 85.1 |
| 1974 | 23.6 | 63.0 | 1 | 86.6 |
| 1975 | 6.0 | 130.0 | 60.5 | 196.5 |
| 1976 | 15.1 | 200.0 | 93.0 | 308.1 |
| 1977 | 3 | 118.5 | 90.0 | 211.5 |
| 1978 | — | 134.0 | 150.0 | 284.0 |
| 1979 | — | 185.2 | 182.7 | 367.9 |
| 1980 (est) | — | 147.5 | 208.0 | 355.5 |

1. Prior to 1975, Advances to the Housing Corporation and Rural Banking and Finance were made to State Advances Corporation.

TABLE 2:
HOUSING CORPORATION (\$ Million)

| | March 1979 | March 1978 |
|--|------------|------------|
| INCOME | | |
| Interest earned | 88.4 | 66.4 |
| Interest recovered from Public Account | 26.1 | 23.8 |
| | 114.5 | 90.2 |
| EXPENDITURE | | |
| Management | 6.0 | 4.9 |
| Interest Payable | 94.4 | 75.2 |
| | 100.4 | 80.1 |
| SURPLUS (before tax) | 14.1 | 9.1 |

Government accounts: state

Economics Correspondent

THE heavy hand of Government is all pervasive in the activities of the New Zealand economy. Not only does the Government provide goods and services for the citizens but it also runs three major lending institutions.

The Development Finance Corporation (DFC), the Housing Corporation, and the Rural Banking and Finance Corporation (RBFC) are all 100 per cent owned by the Government.

These three establishments have developed to meet the changing objectives of Government economic policy. The DFC, Housing Corporation and RBFC annual reports show Government objectives have changed substantially since the early 1970s.

No longer is the Government's main interest in generating new housing stock.

Increased funding to the RBFC reflects the Government's view that New Zealand's future is dependent

on increasing farm export production. And the DFC is gradually making a niche for itself selling the view that firms should develop manufactured exports using local resources.

Table 1 illustrates the changing pattern of Government advances and share purchases to its three lending institutions.

In the early 1970s, the DFC was reconstituted as a wholly Government-owned institution. Until the corporation became totally self-funding in 1977-78, the Government provided advances for industrial development and made share purchases totalling \$25 million.

In 1974-75, the State Advances Corporation was split into the Housing Corporation and the Rural Banking and Finance Corporation.

In that year, the Government saw its role as providing housing for a growing population as well as supporting the building industry. An advance of \$130 million was

made to the Housing Corporation and in 1975-76 (election year), a further \$200 million was advanced.

This year's Budget reflects the Government's desire to reduce the size of the building industry because of lower housing demand. Advances to the Housing Corporation fell to \$147.5 million.

The rural sector played a less prominent role than housing until recently. In 1974-75, the Government advanced only half as much to the RBFC as it did to the Housing Corporation. This year, though, the Government plans to lend more to the rural sector in one year than it has ever loaned for housing in one year.

According to the 1979 Budget, the Government expects to advance \$208 million to the RBFC this year.

But the Information contained in the Government's budget does not tell the whole story about the activities of the DFC, Housing Corporation and RBFC. The Budgets show only that amount of money spent

each year from current revenues to finance Government's lending activities.

For information about the extent of lending undertaken by the Government's financial institutions, it is necessary to go to the reports tabled in Parliament.

By far the most interesting annual report of the three that prepared by the Housing Corporation. Its activities are broken into two main sections: it gives financial data to light of the fact that there are only about 42,000 farm holdings in New Zealand of over 50 hectares.

Table 3 provides a summary of the financial results of the RBFC in March year 1979. The corporation made a profit of \$5.3 million before tax.

While the DFC annual report tells us a lot about the goals and objectives of the corporation, it would be difficult to assess whether the company follows these objectives efficiently.

Nowhere in its report can we discover the costs of administering the DFC (other than management costs, mainly covering director's fees), the salaries paid its employees, or the number of employees.

What we mainly learn is the DFC again made a small profit on its operation of \$2.2 million before tax for the nine months ended March 31, 1979 (see Table 4). And the DFC's operations are conducted on a smaller scale than those of the Housing Corporation and the RBFC.

A careful study of the report shows taxpayers still make a small contribution to DFC activities. While the Government has not made any advances or share purchases to the DFC since 1976-77, other transfers have been made.

In the nine months to March 1979, for example, the Government provided a grant of \$700,000 for industrial research and development to it.

DFC has changed its annual balance date from June 30 to March 31. This is a good thing because its activities can be more easily compared with those of most other Government

steers funds from homes into farm exports



PRIMARY INDUSTRY

have tended to look to increasing the usage of spare capacity before undertaking further investment.

This year's Budget stated: "If New Zealand is to achieve a more satisfactory rate of economic growth, maximum encouragement must be given to worthwhile new investment projects."

With this objective in mind, the Government established an Investment Unit within the Trade and Industry Department responsible for guiding

investors through the procedures required by Government departments and agencies for investment.

Perhaps, at the same time the Government should offer the carrot of cheaper investment finance provided through the DFC. It has already made clear its intention to pursue economic growth objectives by channelling funds from housing to export-earning farming.

By channelling more investment funds through the DFC, the Government may achieve an increase in manufactured export receipts.

At the same time, the private sector may be encouraged to provide more new permanent job opportunities.

After all, there must be many builders around without work as a result of the scaling down of the activities of the Housing Corporation.

Why not involve them in the export drive before they all migrate to Australia?

TABLE 3:
RURAL BANKING AND FINANCE CORPORATION RESULTS
(\$ Million)

| | March 1979 |
|--|------------|
| INCOME | |
| Interest earned | 64.0 |
| Interest recovered from Public Account | 6.7 |
| | 70.7 |
| EXPENDITURE | |
| Management | 4.8 |
| Interest payable | 62.7 |
| | 67.5 |
| SURPLUS (before tax) | 3.2 |

TABLE 4:
DEVELOPMENT FINANCE CORPORATION RESULTS
(\$ Million)

| | 9 Months Ended March 31, 1979 | Year Ended June 30, 1978 |
|-----------------------------|-------------------------------|--------------------------|
| TOTAL INCOME | 20.4 | 21.6 |
| EXPENDITURE | | |
| Operating expenses | 1.8 | 1.8 |
| Cost of funds | 15.7 | 16.3 |
| Amount Written Off | 2.7 | 2.7 |
| | 18.2 | 18.8 |
| SURPLUS (before tax) | 2.2 | 2.8 |



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Reduce heat loss, noise transference - even tax. Next, Monocooustic panels provide practical, technical benefits. As an insulator, the firm boards of reinforced glass fibres display remarkable thermal resistance.

Panel 85 mm thick provides an R value - 1.912 m² CWV min. A VITALLY IMPORTANT FACTOR IN MINIMISING ENERGY COSTS. Proof of efficiency. The whole cost of installing thermal insulation material in commercial and industrial premises is tax deductible. AHI Fibreglass Monocooustic Ceiling Panels, quickly for that reason.

They also insulate against noise, having a range of NRC values between .51 and .85. Natural acoustic properties dampen sound within a room, improving everybody's concentration.

Light, safe, easy. Light weight is one of a number of other useful benefits. NZS4203 controls seismic bracing standards for suspended ceilings. AHI Monocooustic paneling is one of the lightest systems available.

Therefore also one of the safest. One of the fastest and cheapest to install. Its light weight requires no expensive bracing. Monocooustic panels 85 mm thick weigh 2.34 kg per m².

In fire safety terms, the product has been tested according to AS1530, Part 3 requirements. Monocooustic ceilings will neither support combustion nor help a fire spread.

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The new technology: how the unions see it

THE industrial revolution in Britain in the 18th and 19th centuries brought apprehension — even fear — to the hearts of the working population. It made skills and jobs redundant.

And it scared so many in the textile industry, where machines replaced men, that a group called the Luddites went around at night smashing machinery, endrioting by day. The riots were directed not just at the loss of jobs and reduced wages, but also against the poorer-quality goods produced by machine.

In 1812, a band of Luddites was shot down by soldiers at the request of a threatened employer. He was later murdered.

Now, a second industrial revolution threatens. It is the technological revolution. And it, too, is scaring people.

In Australia, a committee of inquiry into technological change is under way.

In Germany, micro-electronic technology is called the "job-killer".

The advent of the computer was seen as heralding the new revolution. It created fears of job-loss, but in fact created more jobs.

Not so with this new technology, according to a report prepared by 12 New

Zealand unions.

They have called on the Federation of Labour and the Combined State Unions to convene a conference early next year on technological change. They want a common trade union strategy to meet what "threatens the trade union movement with a possible crisis greater than it has faced before."

The report explains the need for the new technology thus: "It is being introduced by employers during a period of inflation and recession in the western world. Employers want it so that they can increase their productivity by raising output and decreasing labour costs. The goal is greater production by fewer employees. It is one of the ways by which employers wish to overcome the present economic crisis."

When the new technology has been introduced, the report says, it has had the effect of "increasing the employer's control of the labour process, of reducing the number of workers needed to do a particular job, and of destroying certain occupations."

What of the effects on employment?

The unions' working party says it is not possible to

calculate accurately the effect of new technology on jobs. But basing estimates on European experience, the report estimates:

- There could be a 40 per cent reduction in jobs in all office work in 10 years.
- Up to 25 per cent of clerical jobs could be lost in 10 years.
- Thirty per cent of banking and insurance jobs could be lost in 10 years.
- The total loss in just these areas, therefore, could be 50,000.

Why should there be such losses?

In the clerical area, the major development affecting workers is the word-processor. It has already arrived in New Zealand offices.

Simply explained, the word-processor is a typewriter with a memory. It stores letters and document formats, and the typist needs merely to "call" a

letter from the memory, enter the address or specific details, then let the machine produce the full document.

Word-processors increase typing productivity, reduce document costs, improve document quality, reduce errors and reduce labour costs.

The unions' report says that one word-processor and operator can replace between 2½ and five typists, with efficiency improving by up to 400 per cent.

Overseas experience shows that in one local authority the workload increased by 18 per cent with half the staff; in an insurance company the same staff increased its workload by 300 per cent; in another insurance company, typist numbers were reduced from 100 to 28.

Associated fears are that the work reduces typists to

"machine-sludgers", and that career structures are curtailed because positions to which they can aspire are curtailed.

But the word-processor is only the first step in what is seen as office automation.

This development is estimated to cut by 800,000 the secretarial jobs available in France by 1990; and lose 250,000 office jobs in Britain by 1983.

In banking, the fear is of automated cash dispensers and automatic funds transfer systems.

The unions see the Visa card as the first step towards automatic cash transfer in banks and even in supermarkets. The same equipment can be used in insurance.

"As in the clerical field, although the new technology may appear exciting and as a positive step forward to employees, the longer-term effect is much more likely to be to diminish career prospects, skills and job satisfaction rather than to enhance them."

Again, the report points to overseas estimates:

In Britain 30 per cent of the workforce in insurance, banking, finance and business services is threatened.

In France, bank and insurance employment is expected to decrease by 30 per cent in the next decade.

The new technology will also make its way into the retail and distribution fields.

Here, the danger is seen from universal product coding (upc).

Increasingly, the shopper sees a part of the packet or container with a square printed on it, with a succession of stripes of varying width.

This is the bar code, and scanners to be installed on check-out counters will be programmed to gather from the code the price, department, category of the goods.

For this the receipt is automatically printed out for the customer, with the check-out employee merely passing the code across the scanner.

The central computer can also use the information for ordering new stock from a warehouse. It means the employee does not need to keep track of price changes, because the computer has already been told about them.

This will take some time to arrive in New Zealand, because of high capital outlay, and only the larger companies can afford that.

Storemen's jobs are also on the line when upc does come, however, because the retail computer can be connected to warehouses. And automatic warehouses do now exist overseas.

Dulux, in Sydney, operates one with only two storemen. Pallets bearing buckets of paint enter the warehouse on a conveyor belt, and the men sit in a control room directing the lifting and deposit of pallets merely by punching cards.

There are no other storemen or their forklift trucks.

The threat is there for the communications, information, and media employment areas, too.

In the Post Office, the report calculates that as STD expands there will be up to 3000 fewer telephone operators' jobs in 10 years.

Electronic sending of information eventually will reduce the need for postmen and mail sorters and handlers.

New electronic forms of typesetting in newspapers threaten jobs of proof readers and printers.

In one Australian newspaper, 430 printing jobs were made redundant with the advent of the visual display unit and its computer.

Tradesmen will not see some effect in the longer term. In the United States, it is reported that automation has reduced the training time necessary for jobs.

Much of the new technology is expensive. But there are smaller-cost items such as robots — these can pay for themselves in two years in the smaller labour bill.

It has been said that in the long term, 80 per cent of decreases are possible in the number of assembly fabricators and raw material processors in British industry.

In Britain again, automation is expected to hit employment in transport fleet control, traffic control, aviation, tractor driving, day management, managers, accounting.

Computer-controlled lifting machines in construction firms in West Germany could cut employment of drafter by 70 per cent.

Middle-managers will suffer as employees' skills fall. For instance, automation in office work: the United States' large bank, Citibank, has a general staff reduction of 10 per cent, and a 10 per cent in middle-management.

The report notes that the place from the public's inability to fill in complex forms correctly. This has been added by the design of the claim form in the early stages of the scheme, and by what the commission saw as its own priorities, said Rennie.

It must be borne in mind, he said, that the claim form was usually filled in by the claimant unaided. Many were not used to dealing with complex forms, and for some, English was not their first language, he pointed out.

The claim form had been redesigned at the beginning of last year, and since then data flowing into the system had "improved out of all sight".

Throughout, though, the commission's first priority had been to compensate the claimants as quickly as possible without bothering about completeness of the data. This had helped to bring about the present condition of the files.

There is also increasing doubt about the financial stability of Ite's plug-compatible processor operation, which now looks likely to fall into the hands of either America's National Semiconductor or Japan's Hitachi.

The change of plan would not put the board at any serious

Data stalls merit rebate

by Stephen Bell

LACK of accurate accident statistics has again handicapped the Accident Compensation Commission.

The commission has had to postpone implementation of the "merit rebate" scheme until next March.

The scheme's aim is to pay back a proportion of the ACC levy to companies exhibiting good safety records. This should encourage safety; one of the commission's declared objectives.

Availability of detailed accident statistics will also aid safety research.

In April 1977, an investigation by NBR elicited the reply that detailed statistics would be available within two years (NBR), April 6, 1977. Yet 2½ years later, sufficient statistics to operate the merit rebate scheme are still five months away.

The prime reason is that the commission's computer-held files are still in a far from complete state.

The commission is currently "cleaning" the records, said Don Rennie, director of research and planning at the ACC. Omissions and errors are being filled in by going back to the manual record on the claim form.

Errors result in the first place from the public's inability to fill in complex forms correctly. This has been added by the design of the claim form in the early stages of the scheme, and by what the commission saw as its own priorities, said Rennie.

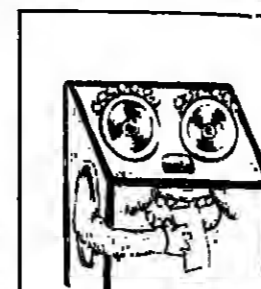
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The claim form had been redesigned at the beginning of last year, and since then data flowing into the system had "improved out of all sight".

Throughout, though, the commission's first priority had been to compensate the claimants as quickly as possible without bothering about completeness of the data. This had helped to bring about the present condition of the files.

There is also increasing doubt about the financial stability of Ite's plug-compatible processor operation, which now looks likely to fall into the hands of either America's National Semiconductor or Japan's Hitachi.

The change of plan would not put the board at any serious



COMPUTERS

Board sticks to IBM

AFTER twice considering a "plug compatible" machine from alternative supplier Ite, the Dairy Board has decided, after all, to continue on the IBM route.

At present, the board has an IBM 370-125 and a 370-135. Its original intention was to replace the 125 with one of IBM's new 4341 machines. This decision had been reached after considering the closer alternative, Ite's compatible and rather more powerful Advanced System 3 Model 5.

When delivery schedules for the 4341 were announced, the board was one of the prospective users in for a shock. Its 4341 would not be arriving until the third quarter of 1981, it was told.

This sparked a new examination of the Ite alternative, which promised a much faster delivery time.

Eventually, though, an all-IBM "bridging" arrangement was decided upon. The 125 will be replaced with a 370-145, due for delivery this month. When the 4341 arrives, this will replace the 135.

Primary reason for the IBM decision was the relative strength of support available from IBM and Ite in New Zealand, said board DP manager John Simeon.

There is also increasing doubt about the financial stability of Ite's plug-compatible processor operation, which now looks likely to fall into the hands of either America's National Semiconductor or Japan's Hitachi.

The change of plan would not put the board at any serious

disadvantage. Simeon maintained. Its needs are "mainly a matter of horsepower" rather than any major new capabilities provided with the 4341.

The only two real losses, he said, were the superior price-performance of the newer machine, and the improved 3370 discs which go with it.

The Dairy Board is the second major IBM user to snub the plug-compatible companies. In August, Air New Zealand decided to install a second-hand IBM 370-158, rather than wait for suitable new IBM machines to appear, or going for an Ite alternative.

Interestingly, IBM seems to have improved on its original offer to the Dairy Board, and is now promising 4341 delivery in the first quarter of 1981.

Since delivery sequence for early orders is decided by lottery, it is not clear how the board has been moved up in the sequence, said Simeon.

Possibly, he reflected, it had taken over a place in the queue vacated by another user who had decided against a 4341 solution.

Users form 38 club

DESPITE the fact that IBM's System/38 has no users yet, and is unlikely to have any until well into next year, New Zealand already has a System-38 users' association.

At present composed of eight Auckland organisations, the association was the brainchild of representatives of the Auckland Milk Corporation and Atlantic & Pacific, both prospective users of the machine.

Membership of the association is not limited to intending users, said founder member Stan Waters. Anyone who has an interest in the machine is welcome to join.

Now it is intended to limit activity to the Auckland area. Waters conceded that he had not yet approached prospective users in other centres but "If we hear of any, we will approach them". They were, of course, welcome to contact the association themselves, through Stan Waters at AMC.

In the face of IBM's announcement of delays to the delivery of the System/38, Waters was keen to emphasise that the association was not "an IBM-bashing exercise".

Aims were "in accordance with those of similar user groups, namely the sharing of information and the provision of assistance, back-up etc, between users."

He also saw the association as offering IBM and others the chance to present papers on particular aspects of the operation of this novel IBM machine.

Finally, he agreed, the association could act as a pressure group on IBM if and when the need arose.

Meetings of the group are to be organised on the third Tuesday of each month.



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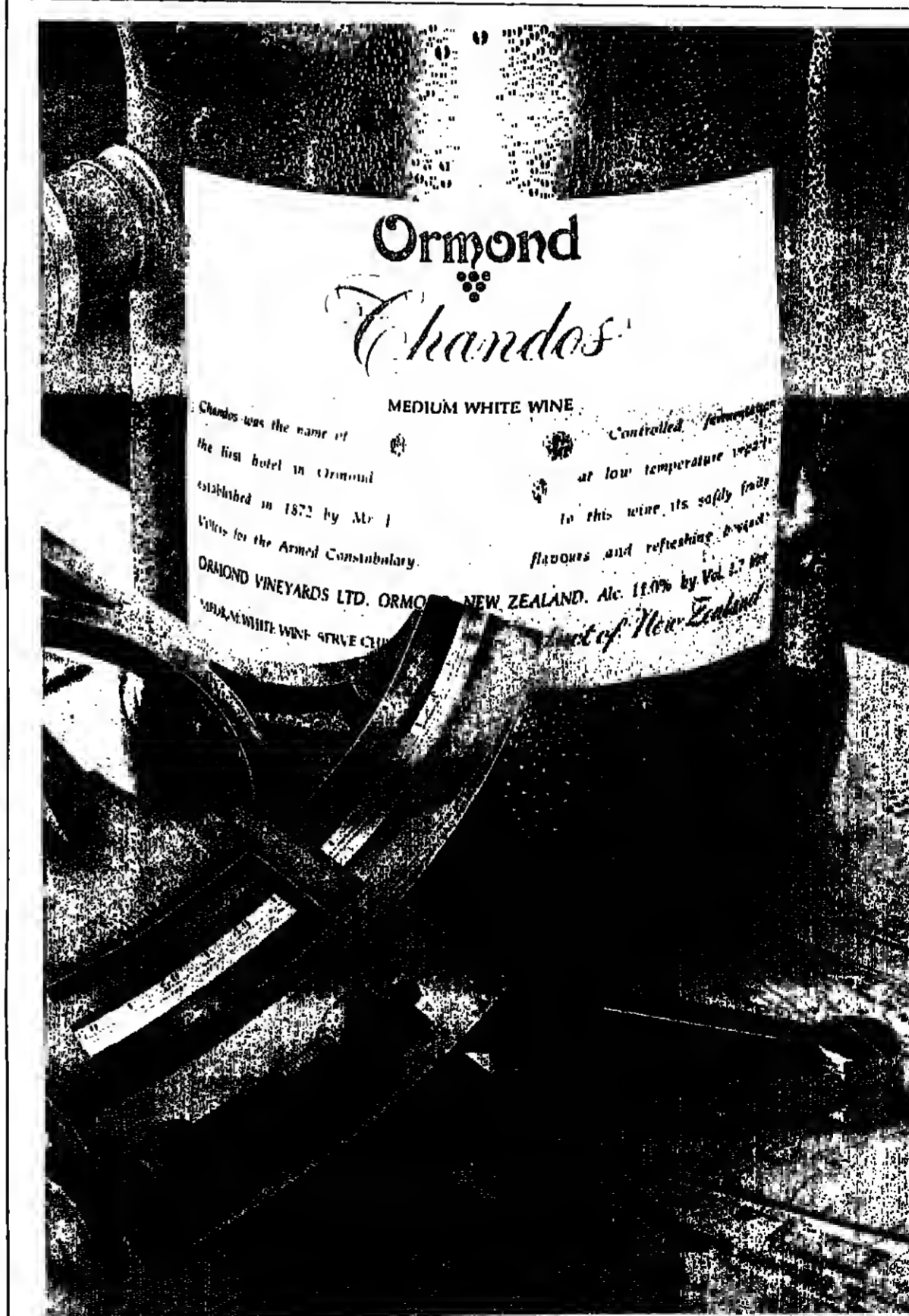
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"If he hoisted the spinnaker as well as he hoisted my Chandos, we'd be watching this sunset from the clubrooms."

Ormond
First to see the light

Bullion boom boost to 'Boks

By Bernard Simon

IT'S difficult for any South African to forget about gold. Daily bullion prices make front-page news. The speeches of cabinet ministers, civil servants and businessmen are peppered with references to the yellow metal.

When the gold price spirals

upward as fast as it has in recent months, hardly a business lunch or cocktail party passes without a discussion on how long the boom will last.

South Africans' fascination with gold is understandable. For their country, which accounts for three-quarters of the West's output, gold can

mean the difference between a sound economy and a shaky one.

In a recent survey of business conditions, South Africa's Standard Bank pinpointed the mining industry, whose kingpin is gold, as "the prime mover toward the present economic recovery, through its positive effects on

the balance of payments, internal liquidity, employment and demand for investment and consumer goods".

Thanks largely to soaring gold earnings, the Government has been able to afford stimulatory measures which are pulling the economy from a real growth rate close to zero in 1977 to 3 per cent this year and hopefully more than 4 per cent in 1980.

At the turn of the century, soon after gold was discovered where the city of Johannesburg now stands, output was a mere 10 tonnes a year. Annual export earnings totalled about R3 million. By 1978 sales had topped R3800 million, over a third of the country's total export receipts. That was at an average price of \$183 an ounce.

Hopes are high that this year's production of around 720 tonnes will sell at an average price of at least \$205 an ounce, bringing South Africa a R5250 million foreign exchange bonanza, an increase of nearly 40 per cent on 1978.

The gold comes from more than 30 large mines scattered in a 480 kilometre arc in the eastern and western Transvaal and northern Orange Free State provinces. These mines belong to seven mining finance houses, of which the largest is Anglo American Corp. Its mines account for almost 40 per cent of South Africa's annual gold output. Anglo American controls the world's most productive gold mine, Vaal Reef, which in the first six months of this year

mined over 4 million tonnes of ore, from which 34,187 kilograms of gold was recovered, about one-tenth of the country's total gold production.

The soaring gold price has brought a steep rise in the mines' revenues — up from R2883 million in 1977 to R3674 million last year, a jump of 27 per cent. This year the rate of increase will be even higher. In January-June alone, working revenues totalled R2340 million.

But the mines' costs have also risen steeply. In the year to June 1978 they leapt by 17.2 per cent and in the following year by 23 per cent. The rate has since slowed a little — to 14.4 per cent and 8.8 per cent in 1977-78 and 1978-79 respectively.

The major reason for fast-rising costs has been hefty wage hikes for mine workers, especially blacks. Indeed, the gold mining industry is generally acknowledged a leader in efforts to close the yawning gap between the wages of white and black workers in South Africa.

The ratio of skilled (mainly white) to unskilled (mainly black) wages on the mines has narrowed from 18 to 1 in the early 1970s to 7 to 1. Black underground miners' wages now average about R145 a month plus food, housing, medical care and recreational facilities estimated to be worth around R50 a month. "The rise in the gold price provided the means for the increase in black wages," says the Chamber of Mines, the coordinating body of South Africa's mining industry.

In the mid-1970s, the mines' costs were going up almost as fast as their income. But the sharp spurt in the gold price over the past two years has restored a healthy growth in profits. Gold mine profits totalled R1344 million in the first six months of this year, no less than 42 per cent up on January-June 1978.

This sharp rise is good news for the rest of the economy too. The mines' tax payments last year were almost double their contributions in 1977. Payments in the six months to June 1979, at R222 million, were 47 per cent higher than in the same months of 1978.

With the gold price shooting past \$400 an ounce levels in the second half of this year could be R300 million higher than the Finance Minister estimated in his March Budget.

The Budget was based on an average gold price for the year of around \$210 an ounce. With

Continued from Page 32

State, then the unions will need to confront and to solve the problem of organisation of the unemployed so that they, too, can exercise collective strength in their own defence.

"It is the working party's view that, because of the threat to job levels that the new technology contains, the first and foremost demand by the trade union movement is that the gains from productivity are used to maintain job levels. We believe that it would be quite wrong (and anti-social in effect) for separate groups of workers to accept productivity deals that allowed themselves to make wage gains, but only at the expense of other workers being made redundant."

The report notes that new technology will have an immediate disproportionate effect on women workers, because of the emphasis on office work, and it will reduce the chances of returning to work after raising a family.

that figure proving the conservatism, the present is now on Pretoria to help more of the mines' payments in the form of food subsidies, a cut in taxes and even more Government spending.

Nonetheless, politicians are being careful not to let the mistakes of 1977-78, the state spending record and anticipation of gold prices, not, and the result of spiralling inflation and a balance of payments problems.

The surge in gold profits has also brought generous hikes in their dividends. Shareholders received R388 million in dividends in the first six months of this year, a 10 per cent increase on January-June 1978. Not surprisingly, share prices have soared upward, largely as a result of heavy demand from local and other foreign investors.

Foreign shareholders are not the only ones. Africans who make money of gold mining. Equally important are the roughly 100 foreign mine workers who work on the mines. These men come mainly from Lesotho, Mozambique, Malawi, Rhodesia and Swaziland, and their earnings make up a major part of these countries' foreign exchange earnings.

For instance, Lesotho last year totalled \$1 million, to Mozambique \$1 million, and to Malawi \$1 million. But because of the mine wages and high employment in other sectors, mining has become more attractive to African blacks. The wages of foreigners on the mines dropped from about 70 per cent of local wages a few years ago to less than 50 per cent this year.

Fears have often been expressed that South Africa's start running out of gold at the end of the century. For the moment, however, the mining industry's confidence is high. Capital spending is rising. Excluding producers has by more than 40 per cent since the first half of 1979. Moreover, three new mines are due to come on stream this year.

Best of all is that the high gold price, the low cost of ore which was previously mined, and the extraction of relatively low grade ores has prolonged the life of several mines which were expected to close production within the next few years.

"It is imperative that the unions fight to open the wholehearted destruction of women's employment."

There is concern for the apprenticeship system, which is being overhauled, because of the little point in teaching a young person the elements of a job which will be obsolete by the time he or she reaches the workplace.

The report concludes that New Zealand's trade union movement has an important role to play in the introduction of new technology by employers.

"By accepting the union is 'accepting' the possibility of a rapid increase in unemployment. It is a question of how to deal with it."

"Unions must therefore be not only to protect their members, but to ensure that the new technology is introduced and that the workers are not displaced."

Gold rush depends on stroke of Treasurer's pen

Melbourne Correspondent

SOARING gold prices have placed operators of Australia's marginal gold mines in a quandary.

If the price remains high then many mines closed for years, as uneconomic, will once again prove profitable — providing the Australian Government continues to exempt gold mining companies from tax.

From the 1850s Australian gold mining steadily declined. By 1974 the annual production of the country's 51 gold mines had fallen to 18.2 tonnes.

Between 1855 and 1974 Western Australian production fell almost 70 per cent.

The fundamental cause of

the industry's malaise was the Bretton Woods Agreement of 1944 when the major trading countries agreed to maintain a fixed rate of exchange between their currencies and gold, the price of which was effectively pegged at US\$35 per ounce by a United States Government guarantee to exchange gold for dollars at that rate.

Australian gold producers were obliged to sell their gold to Australia's Reserve Bank at the official price. They were permitted to buy back the Reserve Bank's surplus gold — to sell on the open market but the mining companies claim these procedures represented a significant financial cost to them.

Since 1924 income earned from gold production has been exempt from tax. To some extent this has compensated the miners for the disadvantage of a static gold price imposed by the Bretton Woods Agreement.

Despite this concession the adverse trend continued and several marginal mines were only kept in production from 1954 by the payment of Government subsidies, under the Gold Mining Assistance Act.

By the late 1960s the Bratton Woods system had begun to disintegrate because of the enormous expansion of world trade and the consequent need to increase international reserves.

Speculative private gold buying led in 1969 to a two-tier market. While central banks continued to purchase gold at US\$35 per ounce, newly-mined gold was being sold freely on

the London market at an unrestrained price.

By January 1972 this free market price was more than US\$10 above the international monetary price.

This was too high to permit any further subsidies to be paid under the Act, and Australian gold mining was left with its tax exemption as the only significant concession.

Gold prices rose 40 per cent in 1978 and the loss of taxation revenue prompted the Australian Government to seek advice from the Industries Assistance Commission, on whether gold production should in these circumstances retain its tax exemption. Subsequently in 1978 the Industries Assistance Commission recommended that this tax exemption be phased out by July 1980.

With the current record prices for gold, three of the country's largest gold-miners

are each predicting profits of \$A11-12 million this financial year.

To a Treasurer bent on reducing the deficit it may well seem anomalous that gold production alone should remain exempt from taxation. The higher the price of gold goes, the greater the revenue foregone if taxes are not imposed, and the greater the inducement for the Treasurer to impose them.

The dramatic rise in price however, has led to a resurgence of national interest in the metal at all levels, from the queues outside city bullion shops to buy gold, to the thousands of gold-prospectors invading the old mining areas with their electronics detectors.

Shares in listed gold mining companies have risen sharply on the stock exchanges.

Central Norseman Gold Corporation is attracting most attention from investors.

Three years ago the company's shares could be bought for less than a dollar, today they are selling at more than \$A25.

Prospectors and companies are now reported to be searching the records of old gold mining areas and planning the re-opening of mines that have been closed for over half a century, but which on present prices could have mined profitably.

The dilemma facing the owners of mines at present closed, is that while higher gold prices may render them once again profitable it is the very profitability which will lose them the tax exemption — and force their closure once again.

A tax on gold production will definitely rule out the opening of many new mines or the re-opening of old ones. So the next Australian gold rush is on-off at the stroke of the Treasurer's pen.

The financial power to say 'no' to government

by Warren Berryman

A SHIVER went through the gold market recently with rumours that Government might intervene with measures to stop citizens from buying and holding gold.

Intervention, perhaps, was to be expected.

Governments which cause inflation cannot continue to exist without it.

With fiat paper funny money, they can buy votes with inflated promises and pay for those promises with inflated currency.

They pass on the blame to mysterious "inflation" without mentioning that inflation was really caused by the need to run more paper dollars off the presses to repay election bribes.

It's rather like trying to win at roulette when the croupier, at the beginning of each spin of the wheel, exchanges the player's money (representing their saved labour value) for plastic counters.

When the croupier loses, he arbitrarily debases the value of the counters and pays out. The only difference between government and the croupier is that government can mislead people into believing that it is not he, but some mysterious force, that is debasing the value of the counters.

Gold is the citizen's way of protecting himself against government.

Should Government prohibit the citizen from buying gold, there are always other investments that hold their value better than paper money in the bank — radios, alvair, ances, cameras, or mining shares to name but a few.

Even the automobile holds its value better than the New Zealand dollar — and provides transportation.

With inflation running at 18 per cent, both the internal and external deficits rising, the strong possibility of a rapid devaluation of the New Zealand dollar versus hard currencies later this year, and Government demanding a 25 per cent increase in income tax take, there is every incentive for the citizen to spend all his earnings as rapidly as possible while the dollar in his pocket is still worth something.

From the liberal democratic point of view, the move to gold is a healthy trend. It signals a maturity, a growing awareness, a distrust of government, in the body democratic.

Gold or gold backed currency gives the citizen the financial power to tell his Government "no". Which is why damogogues bar their citizens from owning gold.

All of which, however rational from the income earner's point of view, helps the ailing economy not one jot.

For a start, there is little incentive to invest in productive enterprise so little or no new real capital is formed, leading to higher unemployment, more Government handouts, and still less incentive to invest as the need to print more money and create higher rates of inflation become stronger.

As the price of retaining political power increases, the value of the currency decreases.

And so it goes.

Advocates of inflation accounting, while they might not support the gold standard, are in essence looking for some real value unit other than the paper dollar.

So was Reserve Bank Governor Ray White when he spoke of a currency unit called the "real", which would have a value based on more than the dollar sign and figures at the corner of a bank note.

Internationally, gold prices are rising. The Arabs are reported to be buying heavily. Oil is priced and paid for in United States dollars. The last time OPEC imposed a major price rise the Americans allowed their dollar to slide, thus cutting the real value of oil payments.

This time the Arabs might be hedging their bets with gold.

In future the Arabs might demand gold or gold backed currency for their black gold which would push gold prices higher still.

Gold prices will undoubtedly have their slight hiccup on the way up as an investor ails and take profits or when the US or IMF dump gold on the market to depress prices.

But rising gold prices are probably here to stay.

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